UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	**Investigation Nos:**
STAINLESS STEEL SHEET AND STRIP	)	**701-TA-557 AND 731-TA-1312**
FROM CHINA	)	**(PRELIMINARY)**

REVISED AND CORRECTED

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SHEET AND STRIP) 731-TA-1312
FROM CHINA) (PRELIMINARY)

Friday, March 4, 2016
Hearing Room A
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The meeting commenced, pursuant to notice, at 9:30 a.m., before the United States International Trade Commission Investigative Staff. Michael Anderson, Director of Investigations, presiding.

APPEARANCES:
On behalf of the International Trade Commission:
Douglas Corkran, Supervisory Investigator
Christopher Cassise, Investigator
Karen Taylor, International Trade Analyst
Andrew Knipe, Economist

APPEARANCES (Continued):

Russell Duncan, Statistician

Benjamin Allen, Attorney/Advisor

Jennifer Brinckhaus, Accountant/Auditor

William R. Bishop, Supervisory Hearings and Information Officer

Sonia Parveen, Intern

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP

Washington, DC

On behalf of: AK Steel Corporation

Allegheny Ludlum, LLC d/b/a ATI Flat Rolled Products

North American Stainless

Outkumpu Stainless USA, LLC

Terrence Hartford, Vice President for ATI Defense, Allegheny Technologies Incorporated

Geoff Pfeiffer, General Manager - Specialty Steel Sales, AK Steel Corporation

Dan Lebherz, Manager - Specialty Products & Markets, AK Steel Corporation

Chris Lyons, Vice President, Commercial, North American Stainless

In Support of the Imposition of Antidumping and Countervailing Duty Orders (continued):

Stephen Letnich, Vice President of Sales for Coil Americas, Outokumpu Stainless, LLC

William Milon, General Manager, Distribution Sheet Marketing, ATI Flat Rolled Products, Allegheny Technologies Incorporated

Philipp Voet van Vormizeele, Senior Vice President - Head of Legal/General Counsel, Corporate Management, Outokumpu

Christian Tebroke, Managing Partner, Forell & Tebroke (Consultant to Outokumpu)

Michael Kerwin, Economic Consultant, Georgetown Economic Services

Of Counsel: Kathleen W. Cannon, David A. Hartquist, John M. Herrmann, and Grace W. Kim

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:

Husch Blackwell LLP,
Washington, DC
On behalf of:

ShanXi Taigang Stainless Steel Co., Ltd.
Baosteel Stainless Steel Co., Ltd.
Ningbo Baoxin Stainless Steel Co., Ltd.
Taiyuan Ridetaixing Precision Stainless Steel Incorporated Co., Ltd.
Ningbo Qiyi Precision Meetals Co., Ltd.
Guanghan Tiancheng Stainless Steel products Co., Ltd. (producer)
Sichuan Dyang Trading Co. Ltd. (exporter)
The China Chamber of International Commerce

Of Counsel: Jeffrey S. Neeley and Cortney Morgan

I N D E X

P R O C E E D I N G S

9:28 a.m.

MR. BISHOP: Will the room please come to order?

MR. ANDERSON: Good morning and welcome to the U.S. International Trade Commission. This conference in connection with the preliminary phase of Antidumping and Countervailing Duty Investigations Nos. 701TA-557, 731-TA-1312 concerning stainless steel sheet strip from China. My name is Michael Anderson and I'm Director of the Office of Investigations and I will preside at this conference.

Among those present from the Commission Staff are from my far right Douglas Corkran, our Supervisory Investigator; Chris Cassise, our Investigator; Benjamin Allen, our Attorney Advisor; and starting on my left here are Andrew Knipe, our Economist; Jennifer Brinckhaus, our Accountant and Auditor; and our Industry Analyst to her left is Karen Taylor and then finally our Statistician is Rusty Duncan.

I understand that the parties are all aware of the time allocations and I would remind the speakers not to make remarks on business proprietary information and when you do speak, speak directly into the microphone and please identify yourself in both your testimonies and in answering questions. I understand all witnesses have been sworn in and the parties are prepared to make opening statements. Are there any questions regarding time allocations and if there are any they should be addressed to the Secretary. If there are no questions Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman.

MR. ANDERSON: Very well. Let's proceed with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be given by Kathleen W. Cannon, Kelley, Drye and Warren.

OPENING REMARKS OF KATHLEEN CANNON

MS. CANNON: Good morning Mr. Anderson and members of the Commission Staff. I am Kathleen Cannon of Kelley, Drye and Warren. I represent the Petitioners in this investigation of dumped and subsidized stainless steel sheet and strip imports from China.

Stainless steel sheet and strip is a flat-rolled steel product containing low carbon and a variety of alloys. The product is used in both consumer and industrial applications where corrosion resistance, heat resistance or aesthetic characteristics are needed by the customer. The Commission has examined imports of stainless steel sheet previously in cases the Domestic Industry filed in the late 1990's. These cases led to orders being imposed against eight countries. Several of those orders remain in effect but we appear before you today because yet another country has emerged as a significant cause of injury to the Domestic Industry, China.

While U.S. Producers of stainless sheet make quality products they cannot compete with the largess of the Chinese Government and the unfair pricing practices of the Chinese Producers. Imports of stainless steel sheet and strip from China have surged into the U.S. Market over the past three years. On an absolute volume basis these imports more than doubled between 2013 and 2015. China is now by far the largest source of imports of this product into the U.S. Market.

While apparent consumption of stainless sheet has increased somewhat over the past three years, the rate of increase of imports from China has far surpassed U.S. demand growth. As a result, China has significantly increased its share of the U.S. Market and has done so at the direct expense of competing U.S. Producers. Despite growing demand for this product as imports from China surge, the Domestic Industry actually saw its production decline. In a strengthening market domestic production fell, capacity utilization is at an anemic level and employment has dropped.

As you will hear from out witnesses, a major U.S.

facility producing stainless sheet has been temporarily idled and workers have been laid off due to the severe injury this industry has suffered at the hands of Subject Imports. In addition, significant capital investments in U.S. Facilities are now in jeopardy due to the effect the Subject Imports have had on the U.S. Market. The market penetration by China has been accomplished based on one factor, price.

As the Commission recognized in the earlier trade cases stainless sheet is generally interchangeable regardless of source country. Based on information collected from U.S. Producers, Importers and Purchasers in the 2011 Sunset Review of the earlier order, the Commission further concluded that price is an important factor in stainless sheet purchasing decisions. The low prices at which imports from China have been sold during the past three years have significantly undercut U.S. Producer prices.

These low prices have also forced U.S. prices down to unprecedented levels. Prices for stainless sheet and strip are now at a lower level than they have been in more than a decade. Raw material cost changes do not explain these price declines as the U.S. Industry has pricing mechanisms in place that address those cost changes. This price depression due to Subject Imports has caused the

Domestic Industry's financial condition which was already weak, to decline to a significant loss in 2015.

The low import prices have also caused a serious erosion in the industry's ability to raise capital, to service debt and to undertake further capital investments. Simply put, it is impossible to earn profits and to be in a financially healthy condition when you are forced to sell at prices below your costs. These facts collectively establish more than a reasonable indication of material injury caused by Subject Imports.

To make matters worse, there is no relief in sight. As is true of other steel products the Commission is examining, a significant overcapacity situation exists in the Chinese stainless sheet market forcing China to export its over-supply. The European Union, a major export market for China, imposed trade remedies against China in 2015 leading China to look elsewhere to offload its idle capacity. Numerous other countries have done the same. Absent import relief, the inroads made by imports from China in the United States will only continue at the expense of the Domestic Industry and its workers.

To prevent further injury and to allow this case to move forward, we urge the Commission to issue an affirmative preliminary decision in this case. Thank you.

MR. BISHOP: Opening remarks on behalf of

Respondents will be given by Jeffrey S. Neeley, Husch Blackwell.

OPENING REMARKS OF JEFFREY S. NEELEY

MR. NEELEY: Good morning. I'm Jeff Neeley from Husch Blackwell. I'm going to be very brief in my opening remarks. I really think that what we want to do is primarily listen to what the Domestic Industry has to say, what their witnesses will say. From what we've heard in the opening remarks and frankly what we saw in the Petition it's sort of the same old story, you know, imports are up -- profits are down and there must be something going on here with China that is causing injury to the U.S. Industry.

We think that actually when the facts are all on the table the Commission will determine that is not the case. The Chinese entry into the market or increase into this market was really reactive to things that happened in the United States' Market. Things that happened with regard to U.S. Industry inability to supply product and other things that happened in the U.S. Market with regard to the approach of some U.S. Companies with regard to pricing.

We'll discuss that in our main testimony but I would say that we have a very different view of what's going on here and I think that this is an incredibly weak case, one that the Commission should find no reasonable indication when it looks at everything together and looks not at just what I say. I'm not the expert here and I realize that this is a preliminary and the standard is very low but what other people say and the trade press, lots of objective information out there has talked about what has been going on in this industry.

I would suggest that the Domestic Industry brought this case now because it's becoming very apparent that Chinese Imports are not increasing at the end of 2015. In fact they're declining substantially because the reasons that caused them to come here primarily in 2014 and into early 2015 because they were in the pipeline have dissipated and so what the Commission will see is that I think in the data and the fact that this trend is quite apparent made the U.S. Industry file this case right now because they couldn't have waited much longer and had anything other than an obviously ridiculous case.

That's my opening. We'll be glad to give you a little more detail later. Thank you.

MR. BISHOP: Would the Panel in support of the Imposition of Antidumping and Countervailing Duties Orders please come forward and be seated? Mr. Chairman, all witnesses on this Panel have been sworn in.

MS. CANNON: Thank you Mr. Anderson. We will begin our testimony with Mr. Hartford.

STATEMENT OF TERENCE HARTFORD

MR. HARTFORD: Good morning Mr. Anderson and Members of the Commission Staff. My name is Terry Hartford and I've been employed by Allegheny Technologies Incorporated and its subsidiary Allegheny Ludlum for nearly thirty-five years. During that time I've held a number of senior positions with responsibilities relating to ATI sales and production of stainless steel sheet and strip products. I've served as a senior Vice President of Commercial Operations from 2002 through 2006 and Vice President and General Manager of Stainless Sheet from 2006 through 2015.

Joining me this morning is William Milon the General Manager of Sheet Distribution Marketing at ATI Flat Roll Products. Mr. Milon will also be available to answer your questions at the conclusion of our presentation. Based upon my responsibilities in these prior positions I was extensively involved with my company's participation in the Commission's investigations and the subsequent Sunset Reviews on stainless steel sheet and strip from France, Germany, Italy, Japan, Mexico, South Korea, Taiwan and the United Kingdom.

We testified to the injury our industry has suffered due to the barrage of unfairly traded imports from those eight countries. Those cases were successful as both antidumping and countervailing duty orders were imposed on stainless sheet and strip from those countries in 1999. As a result, the playing field was leveled and the U.S. Industry was able to recover. Antidumping Orders covering stainless sheet and strip from Japan, South Korea and Taiwan remain in effect today along with a countervailing duty order against South Korea.

The Commission will review those orders and Sunset proceedings that are scheduled to commence in July. Despite the relief provided by the existing unfair trade orders, our company and our industry are again confronted by large volumes of unfairly traded imports of stainless sheet and strip. We are before you today to seek relief from imports of stainless sheet and strip from China as will be demonstrated in the slides that Kathy Cannon will discuss to conclude our presentation.

Imports of stainless sheet and strip from China have more than doubled over the Period of Investigation resulting in devastating declines in pricing in the U.S. Market and capturing market share from Domestic Producers. In fact, the volume of imports from China alone last year was more than half of the volume of the imports of eight countries in total when we filed the trade cases back in 1998.

This surge in imports from China is a direct result of massive expansions in China's capacity to melt stainless steel and to manufacture flat-rolled sheet and strip products that have occurred over the last 10-15 years often with the support of extensive government subsidies. Given these huge capacity expansions as well as the recent softening of domestic demand in China for stainless sheet and strip, it's not surprising that Chinese producers are flooding the U.S. Market with large volumes of unfairly traded imports.

The current situation is all the more frustrating because it was entirely predictable. Indeed, in testifying before the Commission at a Sunset Review hearing in March 2005, Dr. Jack Shilling Former President of Allegheny Ludlum expressed his concern that the large expansions in China's capacity to produce stainless steel products could have significant negative consequences in the U.S. Market. In particular, Dr. Shilling stated that China was expected to reach three million tons of stainless melt capacity in 2005 and projected to reach just under eight million tons in 2007. Dr. Shilling's projection proved to be very accurate. In the years since, China's capacity to produce Stainless Sheet and Strip has continued to increase Dr. Shilling's testimony, China has stainless melting capacity of more than thirty million tons. Further, China's capacity to produce stainless sheet and strip is approximately 15 million tons, which is roughly eight times larger than the U.S. Market and far in excess of Chinese domestic consumption for stainless sheet and strip.

From our own market knowledge we believe that China has current unused capacity that is twice the size of the U.S. Market. Having massively expanded its capacity to produce stainless steel products, Chinese producers are now compelled to find markets in which they can sell these products. With demand in China slowing and barriers to Chinese exports of unfairly traded stainless sheet and strip increasingly being imposed by other countries, that product is coming to the United States. The United States remains one of the few large markets that is open to imports and that has been experiencing modest growth in demand in recent years.

The Chinese sheet and strip entering the U.S. Market is interchangeable with the Domestic Producers and is sold on the basis of price. Chinese producers have used price to quickly penetrate the U.S. Market at the expense of my company and other U.S. Producers. As imports from China have surged into the U.S. Market in 2014 and 2015 they have driven down prices for stainless sheet products to levels not seen since January of 2004. This flood of low-priced imports from China has had a devastating impact on ATI's operations.

The import surge occurred at just the time when our company expected to be able to take advantage of a major capital investment to further strengthen our company's competitiveness. Between 2010 and 2015, ATI invested in an unprecedented 1.2 billion dollars, that's 1.2 billion dollars in a new capital investment to build the world's most advanced hot rolling and processing facility in Brackenridge, Pennsylvania. We use this facility to hot roll our stainless sheet and strip before it is cold rolled in our finishing plants.

Due to the weak conditions in the U.S. Market caused by the dumped and subsidized imports from China, our Brackenridge facility is running fewer days than planned. This prevents the facility from being used at its maximum efficiency and the weak pricing for stainless sheet and strip products is preventing us from earning a return on our capital investment. It's important to note that the U.S. Producers are world class manufacturers of sheet and strip and are not afraid of competition. The entire Domestic Industry including ATI has invested billions of dollars to build companies with unsurpassed capabilities, quality and efficiencies. We have invested to support our customers yet we cannot earn a return on these investments today due to the flood of unfairly priced Chinese imports that are forcing prices down and taking market share from the Domestic Industry. We are simply asking for a level competitive playing field which we do not have today due to

Chinese subsidies and market practices that violate U.S. Trade Laws.

The flood of low-priced Chinese Imports has also resulted in the decision to temporarily idle our stainless melt shop and sheet finishing operations in Midland Pennsylvania impacting approximately 250 of our employees. In announcing this decision on December 10, 2015, ATI's Chairman President Chief Executive Officer Richard Harshman stated that the challenging market conditions underlying the decision "are the result of global excess capacity which has now led to unfairly traded imports in the U.S. Market including the 1st half of 2015 record surge of low-priced imports particularly from China".

At the same time, ATI announced our decision to idle our Bagdad, Pennsylvania facility. That facility was dedicated to the production of grain-oriented electrical steel, a product in which ATI previously sought relief. When the Commission declined to grant us relief we sought in August of 2014, our grain-oriented steel operations continued to deteriorate due to the dumped imports leading to the temporary idling of that mill. That we have already been forced to idle temporarily our Midland facility, which was producing stainless sheet, shows how rapidly and intensely the Subject Imports are affecting ATI.

The decision to temporarily idle our Midland facility was particularly difficult because it's ATI's only facility with the capability to melt and finish 60-inch wide stainless steel products. While our Brackenridge facility has the capability to hot roll 60-inch wide coils, we depended on a supply of slabs from the Midland facility to produce that product. We cannot produce that product today without the Midland plant.

Despite the temporary idling of the Midland facility, ATI is still very much engaged in the production of stainless sheet and strip and has the capacity to supply our customers with products that are melted and hot-rolled at our Brackenridge facility and cold-rolled at our facility in Vandergrift, Pennsylvania and other finishing plants. At the end of the day though neither ATI nor other U.S. Producers of stainless sheet can continue to compete with dumped and subsidized imports from China if left un-remedied. Recent conditions in the U.S. Market caused by these imports threaten to impair operations of the entire Domestic Industry despite our industry's position as world class competitive producers of stainless sheet and strip products. We urge the Commission to recognize the injury these imports have caused so that remedial duties can be imposed. Only by addressing this unfair behavior with the U.S. Industry be able to return to profitability, reopen idled facilities and make the capital investments necessary to insure our continued viability as an industry and for the benefit of our workers and their families who depend on us.

On behalf of ATI I appreciate very much the opportunity to appear before you this morning. Thank you.

STATEMENT OF GEOFF PFEIFFER

MR. PFEIFFER: Good morning. My name is Geoff Pfeiffer and I am the general manager of Specialty Steel Sales at AK Steel Corporation. I've been employed by AK Steel since 1999 serving in a variety of positions including Corporate Manager of Electrical Steel Sales, Manager of Products and Marketing and Regional Technical Manager.

In my current position which I assumed in July of 2013, I am responsible for sales and marketing of electrical and stainless steels manufactured by our company including stainless steel sheet and strip. Joining me today to my right is Dan Lebherz the Manager of Specialty Products and Markets at AK Steel Corporation.

AK Steel is headquartered in West Chester Ohio. We produce stainless steel sheet and strip products at our facilities in Middletown, Mansfield, Zanesville and Coshocton, Ohio as well as Rockport, Indiana and Butler, Pennsylvania. AK Steel is a world class producer of stainless steel sheet and strip products and is routinely sited by our customers for our superb quality and customer service.

AK Steel is a leading supplier of stainless steel sheet, producing a broad range of grades including 200, 300 and 400 series products as well as more advanced precipitation hardening and duplex grades. While AK Steel also produces carbon steel and electrical steel products, stainless steel sheet and strip is a core product for our company and is critical to our company's overall market strategy.

Stainless steel sheet is used in a range of consumer and industrial applications, particularly in applications where corrosion resistance, heat resistance, or aesthetic characteristics are desired. In particular, this stainless steel product is used in automotive, housing and construction applications. Major purchasers include distributors, pipe producers, automotive manufacturers, particularly for automotive trim and exhaust applications and manufacturers of household appliances as well as food processing and chemical handling equipment.

Stainless steel sheet and strip is produced around the world using the same basic manufacturing processes used by both the U.S. Producers here and the Chinese producers. Raw materials, typically stainless steel scrap and various alloying elements are melted and subjected to refining processes to ensure the desired chemistry is met. Then they are cast into slabs. The slabs, which can be 5 to 8 inches thick are reheated and subjected to a hot-rolling process that reduces the slab's thickness and forms the steel into coils.

At this point the product is referred to as a hot or black band. Because the hot-rolling process creates internal stresses and makes the steel harder, hot bands are subjected to a heat-treatment or annealing process. This involves heating the steel to a high temperature and then cooling it in order to relieve the stresses and make the steel softer. The steel is then subjected to a pickling process which involves an acid bath that removes surface defects and a dark oxide scale that forms on the steel surface during the annealing process.

After the annealing process and pickling process is complete, the product is commonly referred to as a white band. White band is also called hot-rolled, annealed and pickled coil or HRAP. While some stainless steel sheet is sold in HRAP form, most goes through a cold-rolling process which reduces the thickness of the steel by anywhere from 10 to 95% as a result of successive passes through the cold rolling mill.

Similar to the hot-rolling process, cold-rolling operations make the steel harder and imparts stresses to it. Once the steel has been cold-rolled to the desired thickness, it is subjected to a second annealing and pickling process. The majority of stainless steel sheet and strips sold in the market is a cold-rolled and pickled product. At this point the cold-rolled coil is ready for any surface treatments or finishing operations. Surface treatments include a temper roll or skin pass that improves the surface condition of the steel but does not involve any thickness reduction.

Other surface treatments involve embossing or etching patterns on the steel or polishing its surface. Finishing operations may include trimming the edge of a coil, slitting a coil to produce coils with narrower widths or cutting the coil to form straight lengths of the desired dimensions. There are hundreds of size and grade combinations of stainless steel sheet and strip in the market. Nevertheless, sheet and strip producers, including those in China generally have the ability to produce a full range of products.

Because quality is a given, once a supplier has been certified to meet a customer's specifications, the Chinese products in the U.S. Market compete with the domestic producers on the basis of price. As a result, the U.S. Market for sales of sheet and strip products is highly competitive with even a small difference in price resulting in the winning or losing of a sale. AK Steel sells stainless steel sheet and strip on both a contract and a spot basis. Irrespective of whether we are selling through a short term contract, a long-term contract or under the spot market, our pricing is affected by lower priced Subject Imports from China.

Demand for stainless steel sheet and strip in the United States has grown at a moderate, steady rate in recent years. The moderate increases in demand however have been far exceeded by large increases in the supply of Chinese products in the U.S. Market. Because pricing in the United States is generally stronger than in other markets, our market has been an attractive outlet for excess Chinese production resulting from its irrational capacity expansions that far exceed domestic demand in China.

This circumstance has been made worse by the fact that many other large markets around the world have been quick to respond and impose barriers to imports of unfairly traded stainless steel sheet and strip from China. The massive increase in the volumes of low-priced Chinese product to enter the United States has devastated pricing of stainless steel sheet and strip in the U.S. Market.

Pricing is currently at levels we had not seen for more than a decade. While AK Steel and a number of other Domestic Producers announced price increases at the end of 2015 and in early 2016, even those prices are well below levels needed and are not sustainable in the long run. AK Steel has lost substantial sales revenue as a result of the lower prices prevailing in the U.S. Market due to the Chinese imports. Our company cannot continue to offer stainless steel sheet and strip at inadequate price levels.

There is an urgent need for trade relief to return fair pricing to the U.S. Market and to ensure our industry is able to make the capital investments that are necessary to ensure our long-term competitiveness. Thank you for your time today.

STATEMENT OF CHRIS LYONS

MR. LYONS: Good morning. I am Chris Lyons, Vice President Commercial, North American Stainless, or also commonly referred to as NAS. This morning I would like to address issues regarding the pricing of stainless, sheet and strip in the U.S. market and the impact of the unfair Chinese imports on the operations at NAS.

I've been in the steel industry with NAS for 14 years. NAS maintains a modern, state-of-the-art steel mill in Ghent, Kentucky on the Ohio River, as well as processing and distribution facilities in Illinois, Georgia and Pennsylvania. We offer a broad line of stainless sheet and strip products and are very proud of the consistently high quality of our output.

While we go to great lengths to maintain our product quality, stainless steel sheet is sold on the basis of price. All producers in the United States and in China are capable of meeting the basic industry-wide quality standards. So price becomes the primary means of distinguishing suppliers.

Prices in the U.S. market are set using a base price plus surcharge for alloying elements, and sometimes for energy and fuel cost. NAS changes its surcharges on a monthly basis, and they are publicly available on our website. Our surcharges fluctuate based on published indices such as Platt's and London Metal Exchange for the key raw material cost.

Surcharges for alloying elements differ by grade of stainless steel, reflecting varying use of these alloying elements. The price of nickel, for example, will be important to the price of Grade 304, but of no significance of the pricing of Grade 409, because that product does not contain nickel.

Domestic producers and most importers of stainless sheet and strip using the same pricing mechanism of the base price and surcharge. In fact, some importers of Chinese product quote NAS' published surcharges as those to be employed in the pricing equation for the imports they offer, if they quote surcharges at all.

But this does not mean Chinese imports and domestically produced stainless sheet and strip are priced at comparable levels. In fact, the base prices being offered on Chinese imports are far lower than ours. This aggressive underselling is shown in the many instances we have provided of accounts where we have lost sales or had to reduce price in the face of low price offers on Chinese imports.

Not only have Chinese prices on stainless sheet and strip undersold our prices throughout the 2013 to 2015 period, the degree to which they undercut our price has increased substantially over this period. As import volumes from China expanded and took a growing share of the U.S. market in 2015, price aggression grew to unprecedented levels. As the Chinese economy declined over the course of 2015, Chinese producers continuously lowered prices in the U.S. market in order to offload their excess supplies.

This trend became even more pronounced after the European Union imposed preliminary anti-dumping duties on imports of stainless steel sheet and strip from China in March of last year.

The result for NAS has been disastrous. In the 12 months from January to December 2015 our base price, exclusive of surcharges, on stainless sheet and strip fell by nearly 20 percent. In fact, by the end of 2015, our base prices fell to the lowest point we've ever seen.

I must emphasize how destructive this decline in base prices is to our financial performance, because it is the base price that must cover all of our manufacturing costs we incur in turning the raw materials into a finished product. The destructive price impact on the Chinese imports has occurred in both our spot sales and contract accounts.

Aggressive pricing by Chinese imports pushed prices for spot sales of stainless sheet and strip ever lower over the course of 2015. Even contract sales with customers that wanted to maintain NAS as a consistent supplier were affected by the prices being offered on the Chinese imports, as customers used those offers to push our price down.

We were increasingly faced with a choice of giving up sales volume to the underpriced Chinese imports, or our prices to hold onto volumes. The combined result has been the financial deterioration that you see in our questionnaire response. I should note that the declines in the price in the U.S. market for sheet and strip have occurred in a period of relatively healthy demand for the product.

While shipments declined in 2015, overall demand has been relatively bland, and the U.S. economy is doing comparatively well by global standards. Given U.S. demand conditions, there has been no market justification for the magnitude of price declines we have witnessed.

Instead, we have suffered as declining market conditions in China have prompted Chinese producers to move as much volume to the United States as possible, regardless of price. Generous subsidies from the Chinese government allow this type of behavior. But the U.S. industry does not have that luxury or that support.

The assault by the Chinese imports has led to substantial declines in production, shipments, prices and profitability at my company. The success of Chinese imports in our market has not been due to any advantages in relation to product quality or superior service, but simply comes down to lower prices.

Given the massive size and overcapacity of the Chinese industry, if anti-dumping and countervailing duties are not imposed against imports from China, conditions in the U.S. market will only worsen, and the viability of our entire industry will be put in jeopardy.

That concludes my remarks. Thank you for allowing me to address you this morning.

STATEMENT OF STEVE LETNICH

MR. LETNICH: Good morning. My name is Steve Letnich. I'm the Vice President of Sales for Coil Americas, for Outokumpu Stainless USA. I'm responsible for Outokumpu sales and marketing of stainless steel sheet and strip products in the United States. I have over 20 years of commercial experience in the steel and metals industry.

I am joined by Dr. Philipp Vormizeele, the Senior Vice President and General Counsel of Outokumpu and Christian Trebroke, who is a consultant to our company and who worked extensively on the European Union's anti-dumping investigation of stainless steel sheet and strip from China.

Outokumpu produces stainless steel sheet and strip at our state-of-the-art fully integrated stainless mill in Calvert, Alabama. Our Calvert mill was constructed in a Greenfield site near the port of Mobile, Alabama, and includes both a melt shop and a cold rolling mill.

We are world class stainless steel producer with one of the most advanced, efficient production facilities in the world. We offer a full range of stainless steel sheet and strip products, including 72 inch wide stainless sheet. At the end of 2012, our parent company, Outokumpu Oyj, acquired the Calvert facility from Thyssenkrupp Stainless shortly after construction was completed.

Construction of the Calvert facility started in 2007 and was completed with the start of operations of the cold rolling mill in 2010 and of the melt shop in 2012. The project stands for an investment of over $1.5 billion, and the creation of over 2,000 direct jobs in Alabama, plus a positive multiplier of indirect jobs in the area.

At the time of the original investment and the time of acquisition by Outokumpu Oyj, the U.S. market was strong and stable. Demand in the United States was increasing and prices were healthy, in contrast to the European Union and other markets. As a result, Outokumpu is very much looking forward to the opportunity to sell stainless sheet and strip into the growing U.S. market and earning a reasonable return on our investment.

Instead, a massive increase in low-priced imports from China have far outstripped the increases in U.S. demand, deprived Outokumpu of that opportunity, and ultimately endangers the business rationale for the original investment in Alabama. In 2014, large volumes of dumped and subsidized imports from China began flooding the U.S. market at extremely low prices, taking away sales from Outokumpu and other U.S. producers.

Between 2013 and 2015, subject imports more than doubled, surging by 133 percent. This rapid increase in imports from China and the oversupply situation that they created led to the collapse of prices in the U.S. market. The market share gains by the Chinese imports occurred as a result of their underselling practices.

Most of Outokumpu's sales are sold to distributors on a spot basis. Those distributors have frequently used offers for lower-priced Chinese steel to ratchet down our prices. During the Periods of Investigation, imports of sheet and strip from China consistently undercut the prices of our products, and we lost sales to China as a result.

Even where Outokumpu sells pursuant to contracts, they do not insulate us from the pricing pressures created by low-priced Chinese imports. If our customers receive a better offer for Chinese imports, they can and have purchased the Chinese products. They use the very low Chinese prices to force us to reduce our prices to unsustainable levels.

The rapid deterioration in pricing in the U.S. market as a result of significant volume of unfairly-traded Chinese imports has contributed greatly to the poor financial condition of my company and our industry. While Outokumpu is incurring start-up costs associated with our new plant, our financial performance is far worse than we ever expected, because of the aggressively priced imports from China.

At a time when demand was increasing in the U.S. market, we should have seen much better results in our financial performance. Instead, Outokumpu has struggled, suffering declines in our market share, production, sales and profits. Our capacity utilization has also suffered.

In addition, subject imports have forced us to postpone and to significantly reduce planned capital investments in our facility, that our so important to our company's continued competitiveness. We have provided extensive details in our questionnaire response of the financial effects on our operations resulting from these unfair imports.

We have worked hard and succeeded in providing a quality product at our Calvert facility that meets our customers' needs. These efforts, however, have been undercut by the surging imports from China. Although Outokumpu experienced some technical issues that forced us to operate a part of our stainless operations at reduced capacities for a limited period of time during the second half of 2014, the situation was of a short duration and completely resolved by December of 2014.

Significantly, imports from China surged into the United States in advance of these technical issues, and Chinese imports continue to surge into the United States in 2015, when our company's stainless operations were fully functional. In addition, the large volumes of Chinese product that entered the United States were sold at prices that undersold U.S. producers.

This is not the level of pricing that would be expected if the Chinese imports were truly filling a purported supply shortage, which should have resulted in higher prices in the market. The large increase in Chinese imports has also occurred because there is significant overcapacity in China. Chinese producers continued to expand capacity during the Period of Investigation.

This problem was made even worse by the economic slowdown in China, leading to reduced demand for stainless sheet and strip in China. Prior to targeting our market, the Chinese producers had shipped their excess capacity to other parts of the world, causing prices of stainless sheet and strip to decline worldwide.

As a result, a number of countries including the European Union, Brazil, Thailand, Taiwan and Vietnam put in place anti-dumping orders against China during the past three years. Further, India has had an anti-dumping order in place against China since February of 2010.

In the face of increasing import barriers around the globe, Chinese producers simply had nowhere else to ship their excess production other than the United States. These fundamental market dynamics and import behavior continue to exist today. So Chinese imports are also a significant threat to further injury to our industry.

The current situation confronting my company and our industry is not sustainable. We cannot afford to sell at such low prices, and we cannot afford to operate at such low capacity utilization levels. If relief is not granted, there is no doubt that our trade and financial performance will continue to erode as we lose further sales and market share to subject imports from China.

Thus, the substantial losses we have experienced will only intensify and could well jeopardize the existence of our operations and the livelihood of over 2,000 new employees, whose jobs were created just a few years ago. Until the aggressive and unfair trading practices of Chinese imports are addressed, it will impossible for domestic producers to compete with stainless sheet and strip from China in the U.S. market.

We need relief immediately, and we urge the Commission to reach an affirmative determination in this case. Thank you.

STATEMENT OF KATHLEEN CANNON

MS. CANNON: For the record, I am Kathleen Cannon, and I will conclude our presentation today by addressing the key statutory issues the Commission must examine in reaching its decision. First, the domestic like product. The like product in this case should be defined co-extensively with the scope of the case, and consists of stainless steel sheet and strip.

This product definition is largely the same as the definition the Commission adopted in the prior trade cases, except for a few product exclusions in that case not repeated here. The reason for the lack of exclusions here is to prevent circumvention that the industry experienced during the prior orders due to some of these exclusions, particularly with respect to cut to length stainless sheet and strip.

In fact, the Chinese product is already being imported into the United States in cut to length form. The basic nature of the product and the market continue to warrant a single like product definition under the seven factors the Commission traditionally analyzes, and we will address those factors further in our brief.

Second, the domestic industry. The domestic industry is comprised of all U.S. producers of stainless steel sheet and strip, including rerollers as the Commission found in the prior trade case. The four petitioning companies appearing here today account for the vast bulk of U.S. production of this product.

Although Petitioners do not dispute that rerollers are part of the U.S. industry as the ITC has previously found, exclusion of one or more rerollers as related parties may be warranted based on affiliations or importations. As we see the record developed, we will address any related party issues that arise in our brief.

Let me turn now to the key statutory factors of volume, price and impact that the Commission must examine in its injury assessment. As you see from the first slide, the volume of imports from China has increased by a substantial amount, 133 percent over the past three years, based on official import statistics.

As I mentioned earlier, China is the largest import source by a wide margin, and has also shown the largest volume increases over the past three years. This subject import increase was not only on an absolute volume basis, but also as a share of the U.S. market, as you see quite a significant market share penetration increase.

As imports from China penetrated the U.S. market, the domestic industry suffered a market share decline that was equally significant. As you see here, there is a direct correlation between the increased market share by China and the domestic industry's lost market share.

As subject market share grew, the U.S. market share fell in almost direct proportion, a classic X. Non-subject import market share, on the other hand, rose only slightly and was not the cause of the domestic industry's significant market share loss, as these two very divergent lines show.

The next slide demonstrates that the growth in subject imports was not merely a response to growing demand.

Imports from China grew at a far faster pace than U.S. consumption over the period, resulting in their very significant market share gains.

Nor was the rapid import penetration by China a reflection of a U.S. supply shortage or longer U.S. lead times in 2014. You heard Mr. Letnich discuss an equipment issue at Outokumpu that occurred in mid-2014. But the increasing imports from China began before there was any facility issue at Outokumpu.

Further, as our other witnesses can attest, they were never unable to supply customers with stainless sheet in 2014. Indeed, U.S. producers worked with customers to ensure that their needs were met over this period. While lead times lengthened somewhat for U.S. producers, they did not exceed import lead times and provided no reason for the purchasers to source the imports from China.

The reason the purchasers bought imports from China in 2014 and 2015 was the incredibly low prices that China offered. Two other points are worth note here. First, the imports from China continued and even accelerated in 2015, when there was no question of any ability of U.S. producers to supply product and very short lead times being offered by U.S. producers, who had ample unused capacity. Second, if the imports were filling a supply need that U.S. producers could not fill, the imports should have been sold at premium prices. They were not.

The imports were sold at extremely low prices that significantly undercut U.S. producer prices. Our witnesses have testified that the critical factor driving purchasing decisions in the U.S. market is price. As they further stated and as our lost sales and lost revenue examples corroborate, imports from China have consistently undercut U.S. prices during the past three years, leading to the market share gains China has achieved.

Responses you have received from purchasers on the lost sales and lost revenue surveys confirm that they have shifted purchases to China over the past three years, that the Chinese product is lower-priced, and that price is a primary reason for this shift, according to most of the purchasers.

These price undercutting practices have led to a severe erosion in U.S. producer prices over the past three years as you see in this chart, for every single one of the pricing products on which you have gathered data. Indeed, as Mr. Lyons stated, U.S.-based prices by the end of 2015 were at their lowest level ever.

While we often hear Respondents blame U.S. price declines on cost declines, that is not true here. Declines in U.S. net sales values on a per ton basis exceeded cost declines over the past three years. So while costs have gone down, prices have gone down by more.

The domestic industry uses surcharges and other pricing mechanisms to address fluctuations in raw material costs. What those mechanisms cannot address, however, are the very low base prices that U.S. producers are forced to continually compete with against low-priced imports from China.

The result of the surging volumes of low-priced imports is predictable and unsustainable. As you see on this next slide, key trade variables for the industry fell over the past three years, despite an improvement in U.S. demand. Production capacity utilization, domestic shipment value, average unit value and market share all dropped.

The industry had a sizeable amount of capacity sitting idle in 2015 that it would have liked to use, but could not due to the glut of subject imports in the market. Both ATI and Outokumpu reported on significant investments they undertook in the U.S. market at Brackenridge and Calvert, prompted by the projected demand growth, and that demand growth occurred.

But subject imports took the increased demand and more at the U.S. producers' expense. So neither of those facilities is operating at the levels planned. In fact, to make matters worse, as Mr. Hartford testified, ATI has been forced to temporary idle its Midland facility, and to lay off workers due to the poor market conditions that the subject imports have caused.

The next slide shows the financial impact of the imports on the industry. There have been significant declines in all profit indicators. A review of U.S. producer questionnaires provide even more insight into the extent of the financial injury to the U.S. industry.

Minor profits of the industry in 2014 turned to significant losses in 2015, as low-priced imports continued to aggressively sell into the U.S. market. All of these facts provide more than a reasonable indication of material injury caused by dumped and subsidized imports from China.

There is also a threat of injury by reason of these imports. As you heard Mr. Hartford testify and as this chart documents, there has been a huge growth in Chinese capacity to produce stainless steel sheet and strip since 2005, that U.S. producers projected but were powerless to prevent.

This increase in capacity has led in turn to a steady increase in Chinese stainless steel production. This chart shows total stainless steel production, not just sheet and strip, but is indicative of the trends in stainless sheet and strip as well. We will provide you in our post-conference brief with the confidential data on the stainless sheet industry, which is similar to these trends.

Unfortunately however, consumption in China of stainless steel sheet and strip has not kept pace with this capacity and production growth. We will also present confidential data in our brief showing the disparity between China's stainless sheet capacity and consumption that has caused and will continue to cause China to export this product.

China retains massive idle capacity that could flood the U.S. market and likely will if duties are not imposed. Even worse, the Chinese producers are continuing to add more capacity that will only exacerbate the problem already experienced.

As this final slide shows, there are a lot of other countries that have already been hurt by the imports from China, and that have erected barriers to those imports. The European Union, a major market, just imposed anti-dumping duties against stainless sheet from China last year. Many other countries have done the same.

These countries have decided they do not want to allow unfairly traded imports to continue to injure their industries, and they have addressed this problem. It is important that the United States do the same, or we will continue to be the dumping ground for Chinese overcapacity in the stainless steel sheet and strip industry, causing further injury to our already battered U.S. industry.

That concludes my statement. Before turning to questions, I would like to introduce my colleagues Michael Kerwin from Georgetown Economic Services and Skip Hartquist, John Herrmann and Grace Kim from Kelley Drye. Thank you for your attention, and we will be happy to answer your questions.

MR. ANDERSON: Thank you Ms. Cannon, and I want to on behalf of staff thank all the panelists, industry representatives and their counsel for your testimony today and being here today. I think we'll start first with questioning, and we'll start first with our investigator, Chris Cassise.

MR. CASSISE: I'd like to extend a good morning to all the witnesses. Thank you for your testimony. I'd like to begin today by asking the company witnesses questions about items that I have found in various press reports or 10-Ks that I'd like to get your feedback on these, an explanation of the events, and of course ultimately how they affected your operations for this specific product.

So I'd like to start with AK Steel, Mr. Pfeiffer. According to a press release, in June of 2013 there was a blast furnace at a facility taken offline due to a mechanical failure. How long was the blast furnace online (sic) and how did this incident affect your operations to produce this product?

MR. PFEIFFER: Geoff Pfeiffer with AK Steel. The blast furnace that you're speaking of, I believe that is Ashland Works' facility. Ashland Works is a carbon steel facility. It does not melt or process stainless steel. So it had no effect on the stainless production at AK Steel.

MR. CASSISE: Okay, let me clarify Mr. Pfeiffer. The press release that I had was in June 2013 at the Middletown Works facility. My next question was the Ashland facility.

MR. PFEIFFER: Both of them, that was the -- Middletown is also, as far as melting, a carbon steel facility. We do hot roll our stainless. But there was no effect on that. So those two facilities are carbon steel melting facilities.

As I noted in my initial remarks, our stainless steel facilities, I did not mention either one of those. They are Butler, Pennsylvania along with a number of others. Butler is our main melting source for the 300 series.

MR. CASSISE: Okay. So these two incidents had absolutely no effect on your operations for these products?

MR. PFEIFFER: No sir.

MR. CASSISE: Okay. One other item, Mr. Pfeiffer, that I noticed in your company's 10-K is they make -- they make an item very clear that they, and I quote the

10-K from 2015, "We are intentionally limiting our participation in the commodity portions of the stainless steel market."

My question to you would be, you know, what AK Steel consider, what grades or products do they consider to be the commodity portion of the market?

MR. PFEIFFER: Thank you. Once again this is Geoff Pfeiffer with AK Steel, and as far as AK Steel, the reason that was in there is the pricing in the market, we'll call it the spot market, has gone to levels as we mentioned that we haven't seen in over a decade.

So at those prices, AK Steel cannot compete with unfairly traded imports that have driven pricing to those levels. Because of that, AK Steel has made the unfortunate choice to pull back from those sales that are at those price points. So if there -- if the pricing for that spot market was at a price level that we would deem would have a fair return, AK Steel would want to sell and ship more volume. But because of those price points, we can't continue to do that.

MR. CASSISE: And there are certain grades or products in your product lineup that you consider commodity grades? I'm looking for product grades or names of products.

MR. PFEIFFER: Sure. When we talk about that, and that's a general term, I think, in the 10-K, for all of our products, being carbon, stainless and electrical as I believe the wording there. The more high volume products are definitely what we term as the commodity, and that goes for the carbon stainless and electrical.

In stainless, the higher volume grades are the 304, 301, 316, 430, 409. The more high volume grades is what that term means.

MR. CASSISE: Those are the commodity grades?

MR. PFEIFFER: Yes sir.

MR. CASSISE: Are those the grades that tend to be imported from China?

MR. PFEIFFER: Yes sir. I believe that is true. Yes sir.

MR. CASSISE: Okay. Mr. Letnich, again a few items from 10-Ks and press releases. In 2014 annual report and in some investor relation publications on your website, you presented the U.S. division of the Calvert facility as "ramping up." My question is is this ramp-up complete? Is the facility fully operational, and if so, when was that fully operational?

MR. LETNICH: Steve Letnich with Outokumpu. We were fully operational in 2013.

MR. CASSISE: Why would the 2014 annual report say you're still ramping up?

MR. LETNICH: I believe that has more to do with the volume piece. The equipment was up and running. We were ramping up in terms of gaining orders.

MR. CASSISE: Okay.

MR. VORMIZEELE: Philipp Vormizeele with Outokumpu. May I supplement that? When ramping up, we mean for once that we ramp up the technical capability to really produce the volumes that is demanded, and of course there are ramp-up costs connected still that we are incurring in the course of the operational. But technically, the facility is fully operational, and we are fully able to serve the customers.

MR. CASSISE: Okay. Physically it is fully operational, but you would state that you're still ramping up orders and still writing off these ramp-up costs?

MR. VORMIZEELE: Philipp Vormizeele again from Outokumpu. We understand also from ramping up that we establish position here in the market, and that has also been very much undermined by the existing surge of imports. So we understand also ramping up not only from a technical point of view, but also establishing a market position as a rather new player here in the market.

MR. CASSISE: Okay. In the same annual report and also in press reports, during 2014 you state in the annual report there were unforeseen technical issues at the

Calvert facility, and that there were portions of the mill that were shut down for approximately six months. What were these unforeseen technical issues and how did this ultimately affect your operations for this product, producing this product?

MR. LETNICH: Again, it's Steve Letnich from Outokumpu. We had motor failures on our cold rolling facility.

We had one main mill go down for six months, and then as a result of that motor failure, we decided to do preemptive maintenance on the other rolling mills, and each of those were sequentially down two weeks during that six month period. All three were back up and running late fourth quarter of 2014.

MR. CASSISE: So what was the total duration of production stoppage?

MR. LETNICH: Well, we never stopped total production. One mill was down for six months. The other two mills were down to two weeks each.

MR. CASSISE: Okay.

(Pause.)

MR. CASSISE: This is directed to NAS, Mr. Lyons I believe. According to your parent company's 2014 annual report, there's been new investments in your facility here in the United States, a new hot rolling mill, a slitter and then also recently there was another $150 million expansion in 2015, which included a bright annealing line and another cold rolling mill.

Did these expansions occur during the Period of Investigation, that meaning between 2013 and 2015, and how did they affect your firm's ability to produce stainless steel sheet and strip? Did they increase your capacity to produce these subject products?

MR. LYONS: Chris Lyons, North American Stainless. The announcements that you mentioned were all collectively one announcement. So we had currently in construction an investment of approximately $150 million, which consists of a rolling mill, a slitter line, which has just become operational and a bright anneal furnace.

The completion of that construction is set to take place in February of 2017 for the mentioned rolling mill, and March of 2017 for the mentioned bright anneal furnace. So none of that investment recognized any additional capacity during the 2013 to 2015 period.

MR. CASSISE: Okay, thank you. That's helpful. While I have you also, according to filings with the Foreign Trade Zone's Board, NAS Supply to create a foreign trade subzone in its Kentucky facility, and according to that application you list a long list of stainless steel raw materials that you can enter into the subzone, but including in that list is semi-finished stainless steel products.

My question is does NAS import semi-finished stainless steel products into the FTZ, and if so do those products fall within our scope definition here today?

MR. LYONS: No, we do not.

MR. CASSISE: Okay. Are there stainless steel products produced in the FTZ that subsequently enter the customs territory of the United States, and if so, under which HTS subheading do they enter the United States under?

MR. LYONS: No. The answer is no.

MR. CASSISE: Only those products that will be subsequently exported legally enter your FTZ subzone? You can explain this in a post-conference brief if that's probably more helpful.

MR. LYONS: That's what we'll do.

MR. CASSISE: Explain the activities that go on in the FTZ subzone and what enters, what exits. That would be helpful. Okay, Mr. Hartford. A similar question that I had earlier. ATI's annual report in 2014 has a large capital investment, $1.2 billion for what they call the hot rolling and processing facility, the HRPF, which was completed at the end of 2014. Can you explain how that substantial investment affected the stainless and sheet operations, if at all, of your firm, that increased your capacity to produce this product?

MR. HARTFORD: I'd be happy to. Terry Hartford, ATI. We made the decision to invest in HRPF back in 2008, the biggest investment in the history of our company. We had hot rolling capability at that time, but it was limited in size and it was limited in capability. So we wanted to expand our capability, and so we made this investment.

Our old hot strip mills were 50 inches wide. This new investment was 80 inches wide, which allowed us to satisfy a bigger portion of the market. It was intended and is performing very well at lowering our costs. We've completed the commissioning of the new mill and we have idled the prior two facilities.

So we're now using this new investment to hot roll all of our stainless sheet and strip product. It's not the only product that rolls on HRPF. We make nickel-based alloys and titanium and some other alloys that are outside the scope of this case. But they also hot roll in this facility.

Certainly, the majority of the volume that we roll on HRPF are stainless sheet and strip products, because that's -- from a market standpoint, those are larger markets than the nickel-based alloys or titanium. So the investment was intended to enhance our competitiveness, enhance our capability and offer our customers a different product offering, a broader product offering than we could do prior to that.

MR. CASSISE: Is it fair to say that this investment replaced lower efficiency capacity instead of raising overall capacity?

MR. HARTFORD: That's correct. This was more a capability investment as opposed to a capacity investment. It certainly gave us more capacity. But the intention clearly was enhanced capability.

MR. CASSISE: You had mentioned earlier the idling of a plant that Allegheny had decided to idle in January of this year?

MR. HARTFORD: We announced it in December of '15, and the idling took place right at the end of January of '16.

MR. CASSISE: Okay. Well, according to press reports in August of 2015, I mean HI has had some labor disputes. I think that that's a fair statement. ATI locked out over 2,000 union members at all of its production facilities over a contract dispute on health care benefits.

If you could tell me the status of those negotiations with the union, the extent of this lockout on your operations and whether this -- part of this idling decision was based on these union issues?

MR. HARTFORD: I'll answer the last question first. The idling decision of Midland was completely independent of our labor situation and the lockout. The idling decision on Midland really was related to the profitability or lack of profitability that we have on stainless sheet and strip that's produced at Midland.

It's melted there and it's finished there, and was independent of the labor situation. The lockout, we began negotiating with the USW in May of 2015. When we were not able to reach an agreement, a decision was made to lock the workers out. That happened in August of '15. We had planned extensively for that contingency, and we had built inventory prior to the situation to support our customers, and we had comprehensive plans to operate our facilities during the course of the lockout with temporary employees, which we did.

I'm pleased to announce that we have a new agreement with the USW. It was ratified on Tuesday of this past week, so March 1st. So that is now behind us, and our USW represented employees will be returning to work soon. In the meantime, we're continuing to run our operations with salaried employees and temporary employees.

There's more that we'd like to share about this, but we'd like to do that in a post-hearing brief.

MR. CASSISE: Understandable, and that would be helpful. Also in the annual report it states that you're a joint venture partner in a Chinese joint venture known as

Shanghai STAL Precision Stainless Steel Company, in which your firm owns a 60 percent interest, and the remaining 40 percent is owned by the Baosteel Group of China. What products does STAL produce, and what geographical markets do these products serve?

MR. HARTFORD: We'd like to cover that in a post-hearing brief.

MR. CASSISE: Okay. And this -- this is a question to all of the companies. Again, if you would like to answer this in a post-conference, I understand. It may be -- you may not have this information with you today.

But some of the companies present in their filings with the SEC have stated that they use derivative contracts to hedge the price of raw materials, including energy, iron ore, alloying elements and other commodities, and that although this strategy reduces exposure to price increases, it sometimes prevents the benefits of a decrease in the cost of the raw material.

I think it's fair to say that during the period of our investigation, we've seen a decrease, a somewhat dramatic decrease in the price of some of the raw materials and energy costs.

Now that being said, my question is is does your firm use the hedging strategy? What raw materials does it hedge and how that's affected your financial position over the Period of Investigation? If possible, you know, losses on derivative contracts would be helpful or hedging prices versus spot prices during our Period of Investigation would be helpful.

Again, anyone that would like to comment on that in this public forum is more than welcome, but an answer in the post-conference would be sufficient.

MR. HARTFORD: For ATI, we'd prefer to do that in a post-conference brief.

MR. LYONS: Chris Lyons at NAS. We would do the same.

MR. LETNICH: Steve Letnich with Outokumpu, the same please.

MR. CASSISE: Okay.

MR. PFEIFFER: AK Steel the same, post-hearing brief.

(Pause.)

MR. CASSISE: All right. Ms. Cannon, I have a few technical questions for you. As you had mentioned, you had compared the scope of the prior investigation with the scope in the petition in front of us, and I had mentioned kind of two -- I had noticed two main differences, one of which you mentioned, which was some of the exclusions that were left out and the cut to length aspect.

Another difference that I have noticed is this inclusion of a minimum thickness in the current scope. There was -- that didn't exist in the prior review scope. Is there something significant in the market about this specific thickness cutoff?

MS. CANNON: I'd like to ask my colleague, John Herrmann, to address that please.

MR. CASSISE: Sure.

MR. HERRMANN: Excuse me, John Herrmann with Kelley Drye. Yes, you are -- sorry. You are correct, that the scope language for this case does include a minimum thickness that was not in the prior proceedings. We have included that in order to focus these cases on products where we believe injury is occurring.

There have been, in the final scope that was adopted in the cases in the late 90's, you'll see exclusions for razor blade steel, some foil products for catalytic converters, other thin-gauged products that would be beneath the minimum gauge that we've identified in this scope for this case.

We can also address this a little further in our brief, but that's the principle reason for the minimum thickness.

MR. CASSISE: Okay, yeah. If you could just provide a reason on why you decided to exclude the foil categories of products in this investigation.

MR. HERRMANN: Sure. Like I said, I think our principle focus is on those products that are causing injury to the domestic industry. We haven't seen that in the thin-gauged products.

MR. CASSISE: You're not seeing the foil products being imported from China?

MR. HERRMANN: In very low volumes, and not in a way that we perceive to be injurious to the domestic industry.

MR. CASSISE: Okay. The definition of the scope was amended on February 19th, and among other changes, three HTS numbers were removed from the scope. Are the official import statistics compiled using the current list of HTS numbers in your view an accurate description of the volume and value of U.S. imports of the subject product?

MS. CANNON: Yes, yes. Without amendment, we believe that the current list of import statistics is a very accurate reflection of the subject product.

MR. CASSISE: Is there any non-scope product in those HTS numbers at all?

MS. CANNON: If there would be, it would be extremely minimal. I think it's almost exclusively this particular product.

MR. CASSISE: So less than one percent, if it existed?

MS. CANNON: Exactly.

MR. CASSISE: Okay. The last question I have is a request for your post-hearing briefs. In Exhibit 13 of the petition, you present CRU data of stainless steel flat products, March Outlook dated November of 2015. If available, could you in your post-conference brief attach the December 2015 edition, the complete edition of maybe the November and December 2015 Outlooks? That would be helpful for us.

MS. CANNON: Certainly. If we can get our hands on that, we will give that to you.

MR. CASSISE: Great, thank you. That's all I have for now. Thank you very much.

MR. ANDERSON: Thank you Mr. Cassise, and I'm going to pass the microphone over to Mr. Corkran, who's on a time schedule here because we have a vote in ten minutes on another case that he's involved in so --

MR. CORKRAN: Thank you very much. I wanted to thank the panel. I hope to be able to get a few questions in to you at a little bit later time, but I needed to excuse myself for this vote. I didn't want you to think I was walking out on you. Thank you very much for your time.

MR. ANDERSON: Okay. With that, we'll have Mr. Allen take over now.

MR. ALLEN: I also want to thank you all for your presentation today. We certainly appreciate you taking the time to be here, and it's very helpful for us. Ms. Cannon, my first question sort of goes to the fact that there have been previous investigations, and that those have only dealt with coil in essence with the scope.

Is straight cut to length stainless steel sheet and strip something that should constitute a separate domestic like product?

MS. CANNON: No. We believe it all falls within the same like product. It's all made by the same producers in the same facilities, and is used for the same purposes. And as I said, originally the real concern is the circumvention concern, which I think proves the point of the substitutability of the products, because once the orders were imposed against some other countries when the product was precluded from coming in in coiled form, it easily shifted to the cut form to go to the same purposes.

So that alternative form of the product is still part of the overall like product in our view.

MR. ALLEN: Thank you. So if possible, could you further discuss the role of nonsubject imports in the U.S. market? Are nonsubject imports interchangeable with the domestic like-product in other imports? And could you please explain why you don't believe any injury is attributable to nonsubject imports?

MS. CANNON: Sure. We can do that in more specifics. But as you saw from the chart that I had up here earlier--I'll go back to it, the market shares, that one--the percentage change of the nonsubject imports has been minimal. And I think that is the major difference that you're seeing, is that the volume of the nonsubject imports collectively is not showing this large gain that we're seeing from China.

And what that also tells you about the nonsubject imports is that their prices are not the same as those of China. Their prices are not at the extremely low levels that China has exhibited over this period that has allowed China to do the market share gains that you're seeing here.

So while there are other imports in the market, some of which might be interchangeable, although stainless sheet and strip is a continuum product with a broad range, and so you would have to look at each of the sources to see how much overlap in specific types there might be.

To the extent that it is produced to the same specifications, it's generally an interchangeable product. But different sources may make different types of products. But the key difference being the prices of those other sources have not exhibited what China has done. They haven't been as large. They haven't increased as China has.

MR. ALLEN: Thank you. So this is for you or any of the producers here. I mean, can you discuss some of the factors that affect U.S. demand for this product? Does it just generally track overall U.S. economic performance? Or are there other things in play?

MR. HARTFORD: Terry Hartford with ATI. I can comment on some of the markets and the applications.

Mr. Pfeiffer described our products and what they go into, but consumption of stainless sheet and strip generally tracks consumer durable production quite well. The appliance business and other large consumer goods tend to contain specialty steels and stainless steels.

So over time consumption has tracked consumer durable production pretty well. Product also goes into capital goods. So heat exchangers in a power plant, or in an oil refinery, or in a natural gas facility. Process systems, pipe and tubing that would go into process systems in any sort of a process industry, chemical facility. We mentioned appliances. Consumer products: razors and products like that contain our product.

And so demand for our product tends to move with the overall economy. And we have not seen in recent years a single new very large application for stainless that drove growth, or declines, that were different than prior years. So it tends to move with the economy.

MR. ALLEN: Thank you. I have no further

questions at this time.

MR. ANDERSON: Thank you, Mr. Allen. I want to just jump in here real quickly while we have this slide up here and wondered if, Ms. Cannon, if you could possibly address in a post-conference brief, this is a percentage change presentation. If you could perhaps provide us information on absolute value or tonnage.

And then also to the extent you could either quarterly or monthly compare and contrast the nonsubject import trends with the subject imports in 2014 versus 2015, that would be very helpful.

MS. CANNON: Certainly. We will be happy to do that, Mr. Anderson.

MR. ANDERSON: Thank you.

And now we will turn the microphone over to Mr. Knipe, our economist.

MR. KNIPE: Thank you. And thanks to you all.

First for the Outokumpu folks, back to the supply issue. You said in a press release at the end of 2014 that it had I think a negative impact, was the quote. And I'm just wondering if you can expand on that. What "negative impact" exactly did that have specifically to your customers, as well?

MR. VORMIZEELE: Yes, it's Philipp van Vormizeele from Outokumpu. It has a negative impact because, as we explained before, we were in the expansion of our market share situation in the U.S. when we had this temporary reduction of capacity.

Just maybe to clarify that once again, so we have three cold rolling mills, of which the motors experienced some difficulties. One of them was the cold rolling mill 54, for which the motor was out between June and December. And in the cold rolling mill 64 and 74, the respective motors were out for two weeks in August.

So meaning we have not idled our production or stopped our production, so we were just running at reduced capacity and we were just at the beginning of ramping up our market share and increasing our, yeah, increasing our share in the industry. And there were two factors that led to a negative impact.

First of all, we were not able to be as efficient as we hoped to be in the second half of 2014, even though-- and I think that is also important to mention, we have not turned any customers down. So we offered solutions also by servicing those customers from our other mills in Europe, or from Mexico. So we have solutions offered to our customers.

And secondly, and it was also driven by that we already saw the impact of the imports which started before the technical difficulties we faced in June. So overall, the impact on our financial situation in 2014 was negatively affected by those two factors, meaning the imports, but also a certain reduced capacity we had in 2014.

MR. KNIPE: Okay. But you said that came also in the middle of an expansion. So did that have a net impact on your shipments? Can you talk about that here?

MR. VORMIZEELE: We would probably clarify the details in our post-brief.

MR. KNIPE: Okay. In that same vein, what kind of impact did it have on your delivery times?

MR. LETNICH: The delivery expectations were met. But like Philipp had mentioned, we had to come up with some alternatives. So if you had to move an order from Calvert to Europe, then it would bump out, you know, two to four months.

MR. KNIPE: Okay, besides Outokumpu I am seeing some trade press that talks about extended lead times for the domestic industry in general.

One quoted an extra six to eight weeks. Does that sound accurate?

MR. HARTFORD: Mr. Knipe, could you clarify the period of time that you're asking about? Was this 2014, or is this a question about the current market?

MR. KNIPE: The article that I'm thinking of was in May of 2015. So it's not just trade press. There were some responses among purchasers, as well, that indicated there may have been some lead time issues in the domestic market.

MR. HARTFORD: We didn't have any lead-time problems in May of 2015.

MR. KNIPE: At any time throughout the period of review?

MR. HARTFORD: In, in 2014, in two thousands and fourteen, from a period of roughly May through November, we saw a change in the order pattern from our customers. And during that period of time, we could satisfy our customer needs throughout that period of time, but we saw greater demand. And we managed that demand by talking to our customers about what their needs were, their projected future needs, and how we might be able to satisfy those.

So our lead times extended, but we were able to satisfy our customers throughout that period.

MR. KNIPE: Okay. Thanks. Same question to the other folks.

MR. PFEIFFER: This is Geoff Pfeiffer with AK Steel. In May of 2015 we did not have any extended lead times. But in the second half of 2014, we also experienced extended lead times. We also saw a change in order pattern, where we saw a number of customers come in at once ordering more than their typical, what they typically needed. Therefore we worked with each one of these customers--each one of these customers and our extended lead times to make sure that they had the steel that they needed.

We're not aware of any customers not getting the steel in the time they needed it during this period of time. But we had to work with each individual customer during this time period because of our extended lead time.

MR. LYONS: Chris Lyons, North American Stainless. Similar to my counterparts, we had lead times push out in what began in March-April time frame of 2014 that continued through the balance of the year.

We did not do any management of controlled order entry during that period. We took orders as they came. And that did lead to our lead times extending. But never such that they exceeded that of the import lead times from China.

As we started 2015, we did try to take a strategy of a more controlled entry approach where we had that same discussion of trying to manage expectation. But the necessity for that lasted mid-February. And then we were back to a more typical four- to six-week standard lead time.

MR. KNIPE: A couple of you mentioned change in order patterns. Is that for your contract sales? Or for spot sales? For both?

MR. HARTFORD: Terry Hartford, ATI. It would be both. Probably more on the spot sale side, since that does represent the larger portion of our sheet and strip business.

MR. LYONS: Chris Lyons, North American Stainless. I would echo the comments of Mr. Hartford.

MR. PFEIFFER: This is Geoff Pfeiffer, AK Steel. Just as Terry mentioned, both contract and spot. Particularly in the spot market is sometimes a herd mentality where, you know, suddenly everybody does the same thing at once. So when you notice that, that is when you start to look at things and try to work with each person individually.

MR. KNIPE: Okay. Thanks. So it looks like in the last, in the 2011 review we didn't collect stainless steel scrap prices. Should we collect scrap prices this time?

MS. CANNON: I mean I don't see the need for you to collect scrap prices. We certainly can look into it if you're interested--

MR. KNIPE: Sorry, I don't mean from you folks. I just mean--

MS. CANNON: Generally?

MR. KNIPE: Yes, as a major input.

MS. CANNON: I defer to you all's investigation whether you think that would be useful. I think the industry's position has generally been, and the industry experts can amplify, that the raw material costs for the most part are controlled under the surcharges, and we've provided a lot of details on that in the questionnaire responses. So you probably have some information on a lot of these other input factors, and that the real problem here has been the base price competition that they have experienced with China.

And that is where I think the focal point of the analysis should be. So we don't view the scrap fluctuations as being particularly significant to your analysis.

MR. KNIPE: So a general question. We see a lot of steel cases, obviously. I still have an imperfect understanding of the pricing structure. So a lot of you publish surcharge lists monthly. I understand that changes. I don't quite know what constitutes the base price. So if you could sort of elaborate on that question?

It sounds to me like when you want to introduce price changes outside of raw material price fluctuations, that happens in the base price. So if you could tell me a little bit more about that: What goes into deciding base price changes? And then how have those changed over the course of the Period of Investigation?

MR. HARTFORD: Terry Hartford, ATI. I will take a shot at that.

Our total price is comprised of two components, a base price and a raw materials surcharge. And the surcharge, as Ms. Cannon just explained, is--it's a raw material volatility protection system for us and for our customers. So as raw material prices go up and down on a monthly basis, the surcharge changes the subsequent month based upon a formula that we have, comparing trigger prices in current published prices.

And so the surcharge is to really handle the volatility in raw material prices. And the base price is really the price that we collect to cover labor costs, and energy costs, and industrial gases, and acids, and all the components of conversion of taking raw materials and turning it into finished stainless steel sheet and strip.

And independent of the raw material fluctuations, that base price needs to cover those cost components. And then it also needs to cover our fixed costs, our overhead costs, and hopefully leave us with a profit after that.

That is where our profitability comes from. Our profitability really comes from the base price that we're able to collect. And it is the base prices that we have seen fall so dramatically during the Period of Investigation. And I think all the evidence would indicate that those base price reductions were driven by the surge in low-priced imports.

During the Period, we have announced price increases throughout the Period of Investigation, with very limited success. And the way that process works is, is we decide that, for whatever reason, based upon market demand, or whatever the factor may be, that we need or should try to get a price increase. And so we make an announcement that we intend to raise prices at a certain point in time.

And then the market does what it does. And ultimately over the Period we announced price increases many times--I can't tell you exactly how many, but we can find that out--but at the end of the day, our prices at the end of the Period were lower, our base prices were lower at the end of the Period than they were at the beginning of the Period.

So our success in raising prices wasn't there. Does that answer your question?

MR. KNIPE: It does. Thank you. Yes. So I don't want to create a data collection burden, but it would be helpful to see exactly what the trend has been for the base price increases and decreases.

So would you be able to present on a quarterly basis from the first and last quarter of the Period of Investigation what has happened for each of the four petitioners?

MS. CANNON: We'll try to do that.

MR. KNIPE: That would be great. Thank you.

One more question. Does China product typically arrive through the West Coast?

MR. LYONS: Chris Lyons, North American Stainless. Certainly the West Coast is one avenue. But it's one of many. We see Chinese product come in from the Gulf Coast, as well as up along the East Coast. So their presence is felt across the United States in all ports.

MR. KNIPE: Would import location be a price factor? I saw in the last review a couple of, a couple of producers had the impression that it was a factor.

MR. LYONS: Chris Lyons, North American Stainless. I do not view that as a price factor. Certainly there are some inherent differences based on where the material resides when it hits the shore. But as far as the injury that we're feeling as regarding the base price itself that China is selling at, not necessarily any particular port that they target to try to create an advantage.

MR. LETNICH: If it's okay, I'd like to add something. Steve Letnich from Outokumpu. Not only do we see Chinese product coming in to various ports, but we see it used across the United States.

So the customer base, regardless of state or location, is using it. And the delta of price differential from the Chinese product to our product really makes freight negligible. It is a very, very small component of the overall cost.

So, echoing what Mr. Lyons had said, it really becomes a--it's a factor, but a very small factor.

MR. KNIPE: Okay. That's it for me. Thank you.

MR. ANDERSON: Thank you, Mr. Knipe. Now we will turn it over to Ms. Brinckhaus.

MR. BRINCKHAUS: Good morning. I would also like to join my colleagues in saying thank you all for being here today, and for your testimony.

I have a few questions. I would also like to say that anything you would prefer to answer post-conference is completely fine.

The first question I have is for Outokumpu. In your company's 2014 Annual Report it states, "In the spring we were relieved of the obligation set by the European Commission to supply our American operations from the Turning Mill."

Could you provide a little background information regarding this requirement, including what raw materials were provided by the Turning Mill? How long was this requirement in place? And what effect it had on your financial performance at the Calvert facility?

MR. VORMIZEELE: Outokumpu is the result of a merger between the former Outokumpu operations based in Finland and the former Thyssenkrupp Stainless activities in Germany. The merger was announced in January 2012, and followed a rather long merger control proceeding with the European Commission.

So finally the transaction was approved in November 2012, but included some remedies that Outokumpu had to fulfill. And one of the remedies was to divest the integrated stainless steel mill formerly owned by Thyssenkrupp in Terni, Italy. And as you may know, selling a plant which you have to sell is maybe not the easiest target you can bring to the M&A market.

In order to protect the viability of that target, there are certain requirements from the European Commission to maintain business relationships that were formerly established in Terni because the European Commission feared that selling it off we would try to strip it down and take away the economic advantages they had from existing in the group.

And before the Calvert Mill was fully operational, we started with the cold rolling mill and supplied material from Europe in order to already start bringing material to the U.S. market. And then constructed the melt shop. So we started from the back end to the beginning, and this is rather typical when you build up an integrated stainless steel mill.

So partly deliveries from Terni were used to fill the cold rolling mill after 2010. And one of the requirements of the European Union was that we would continue that supply until the AST plant in Terni was sold to a third party, even though we would have been theoretically able to fill our cold-rolling mill with the slats produced at the melt shop in Calvert.

Therefore we had to source from Terni, Italy, due to the requirements, not necessarily needed from an operational point of view. I would have to look up the exact amount of the economic impact of that, but that is a little bit of the background of the situation.

MS. BRINCKHAUS: Okay, great. Yeah, anything else you could provide as far as the impact on the financials would be very helpful.

I know there have been a couple of questions already about the technical issues you had in 2014 with the cold rolling line, but just one more quick follow up with those.

Were you able to--how did this actually affect the A Trap production? Were you able to increase the sales of A Trap? Or did you have to reduce production of A Trap? Or did inventories pile up? Or, you know, how did this--

MR. VORMIZEELE: Honestly, we would probably have to follow up that, I mean generally it did not impact our HRAP production. Just to clarify, that's--in Calvert, we produce stainless steel slats in our melt shop, and they are hot rolled to HRAP at the--our neighbor company used to be the same company. Thyssenkrupp is now owned by Arcelar-Mittal and Nippon Steel, and we have a toll rolling agreement for HRAP there.

We have a certain minimum takeoff we have there. So, which we then produce and probably put into inventory, but we have to probably take a look in the details and provide you with that.

MS. BRINCKHAUS: Okay. Great. Thank you. That also took care of my next question with the relationship with AMS Calvert.

As far as the other companies go with toll processing or producing, what is the role of this in the stainless steel sheet and strip industry?

MR. HARTFORD: Terry Hartford, ATI. We do some toll processing outside for peripheral operations, peripheral value add. So the core of producing stainless steel sheet and strip, melting, hot rolling, cold rolling, and annealing, we do all of that internally.

Some ancillary things like cutting-to-length and polishing, we choose to do that at some outside companies. That represents, frankly, a very small portion of our costs of a product. It is a relatively small price adder. And from an investment standpoint, these facilities cut-to-length lines and polishing lines are not tens of millions of dollars. They're five or ten million dollars. So they are relatively small investments.

So we do some outside tolling for a portion of our product line.

MS. BRINCKHAUS: Okay. Thank you. Would any of the other companies like to address it?

MR. LYONS: Chris Lyons, North American Stainless. At our operation in Ghent, Kentucky, we do all of the manufacturing process with one minor exception. We outsource an aluminizing process that takes place after the production of our sheet and strip, which represents less than one percent of our overall business. So it is very insignificant.

MS. BRINCKHAUS: Great. Thank you.

MR. PFEIFFER: This is Geoff Pfeiffer with AK Steel.

We do outsourcing, like it was mentioned earlier, the low fixed cost or value-add portion of slitting, cut-to-length, polishing. The high fixed-cost investment processing such as melting, cold rolling, hot rolling, et cetera, we do internally. And we outsource the, we'll call it the low-cost value-add production to outside processors.

Like we said, this is a small percentage of the cost and a small percentage of the price.

MS. BRINCKHAUS: Okay, great. Thank you.

I only have one more question and it is related to some discussion that happened in the last investigation, but I would like to get your comments on it here.

Does the industry consider the metal margin or the gross margin the better measure for studying price cost behavior? With the metal margin being, you know, the sales value minus the unit raw material costs, and then obviously the gross margin being including the overhead and labor.

MS. CANNON: Kathy Cannon. This is an issue we've looked at in the past, and we've always encouraged the Commission to look at the gross margin, and not just simply the metal margin, because otherwise you're missing all the other costs that Mr. Hartford identified that the industry has to account for the bottom line.

MS. BRINCKHAUS: Okay, great. Thank you so much. That concludes my questions.

MR. ANDERSON: Okay, thank you. And, Ms. Taylor?

MS. TAYLOR: Hello. Karen Taylor, Office of Industries, Industry Analyst. And I would like to go along with my colleagues to thank all of you for coming and for providing some very informative testimony.

I would like to deal with rerollers, or converters. I do appreciate the statement that they make up a rather small share of the market, and that the ITC has included rerollers/converters in other cases in the past.

We do that if the rerollers are taking a material that is outside the product scope and converting it to something within the product scope. So my first question to you is: Typically, what are the converters converting? Is it hot rolled stainless? Cold rolled stainless that they are rerolling? Or something further up the production process such as slab?

MR. HARTFORD: Terry Hartford, ATI. I would be happy to take shot at this.

MS. TAYLOR: All right.

MR. HARTFORD: Generally the rerollers are taking a product that is in scope and producing a product that results outside of the scope. So they are typically starting with a product that would be stainless steel sheet and strip inside the scope of this case, and rolling it to a gauge, a thickness lighter than the minimum that's in the scope of this case. That would be the typical activity of the U.S. rerollers.

MS. TAYLOR: Which if I understand you would mean that the majority of what they're producing is something that we really aren't interested in? Which would make their share of production, or their share of the market pretty small, if we're looking at the product within the scope--

MR. HARTFORD: Right. From the perspective of the scope of this case, that's exactly right.

MS. TAYLOR: Alright, thank you. That's very helpful.

We've had some testimony that the commodity grades are considered 301, 304, 316, 409, 430. I mean, is there broad agreement among the producers here that those would be the volume grades for this product?

MR. HARTFORD: I would describe those as the high-volume grades. I'm not sure I would always characterize it as "commodity," but those are the high-volume grades in our business.

MS. TAYLOR: And that is where you're seeing the competition? Or that's where the injury is coming from the Chinese imports?

MR. HARTFORD: Yes.

MS. TAYLOR: Okay. Alright, I don't have any further questions at this time.

MR. ANDERSON: Okay, thank you. Mr. Duncan?

MR. DUNCAN: Yes. Good morning. My first question is to follow up along with some of the questions my colleagues had in relation to Outokumpu.

The greenfield investment, I think the cited number was about $1.5 billion. That wasn't Outokumpu's investment. That was the company you purchased it from's investment. Is that correct?

MR. VORMIZEELE: Yes. Yes, the original

investment was decided by Thyssenkrupp in 2007. It was a joint project to establish a stainless steel mill and a carbon steel mill in Calvert, Alabama, which was then followed up by Thyssenkrupp.

Meanwhile, both sides, the stainless steel side as well as the carbon steel side has been sold to third parties. So in 2012, as was just explained, the stainless steel part was sold to Outokumpu. But I think it's important to notice that the acquisition decision by Outokumpu was partly also to expand their international footprint.

Outokumpu used to be a company, before the merger, with main facilities in Finland and Sweden. And as has been discussed before, the U.S. market has been modestly growing, and also the stainless steel consumption was estimated to be growing. So Outokumpu wanted to buy this position to enlarge its international footprint, and also to acquire the facilities in the U.S.

So Calvert was one of a major decision items, or items that Outokumpu wanted to acquire by this transaction. So, yes, true in 2012 Outokumpu acquired the stainless steel part which is the melt shop and the cold rolling mill, while I think also in the same year also Mittal in joint venture with Nippon Steel acquired the carbon steel side which, amongst others, operates the hot rolling mill where we have the toll rolling agreement.

MR. DUNCAN: Thank you. The company's acquisition of the portion related to the stainless steel, was that procured at a discount or premium to the book value of the assets at the time?

MR. VORMIZEELE: We probably have to answer that post-brief. We have to look it up. It was a combined price for not only the current facility but also other former ThyssenKrupp facilities including facilities in Germany, a bunch of service centers, our operations in Mexico and previously also the operations in China.

MR. DUNCAN: If you could get a sense of if it was a premium or a discount, that would be appreciated? An additional related line of questioning, first for other companies as well.

Then in relation to the acquisition of those assets, did your company conduct any market study or feasibility studies in which it analyzed an expected rate of return from your investment, and if so can some of that information be provided in relation to this proceeding?

MR. VORMIZEELE: We would have to look it up what exactly has been done, and which documents can be shared here. But we'll provide answers on that.

MR. DUNCAN: All right, thank you. It would be interesting to see what the expectations were for the facility, and whether or not there was sort of a break even profitability rate you expected, and then how that compared to what actually occurred in the market. So that's the reason for this line of questioning.

MR. VORMIZEELE: We're happy to provide that information.

MR. DUNCAN: In relation to the other producers, I think Allegheny -- ATI I mean, indicated that it had a 2008 decision to purchase or build, I don't -- I forget which, a facility in Breckenridge that related to the product in question in these investigations.

Same question. Did your company conduct market study and feasibilities in which it estimated an expected rate of return for this investment, and can that information be provided in relation to this proceeding?

MR. HARTFORD: Terry Hartford, ATI. We certainly conducted a very thorough review of the cost and the justification of this large of an investment. I mean we're a $4 billion company and we spent 1.2 billion on one single investment, which is huge. So the justification to convince the board to do that was very comprehensive. I'll have to find out what we can -- what of that we can share with the Commission.

MR. DUNCAN: Again, interested in sort of an internal rate of return calculation or expected return from that investment. So it doesn't have to be the full documentation, but what you can share to give us a sense of what you expected in the market, so that we can compare it what actually has occurred in the market.

MR. HARTFORD: Thank you. One thing I can add to that is I think important to the discussion today and important to this case, is I can tell you, because I was directly involved in that whole project requisition and the development of that.

The assumptions that were built into that justification called for a much healthier market environment in stainless sheet and strip than we actually are realizing today, higher selling prices than we're realizing today.

Many of the witnesses testified that we're seeing the lowest base prices that we've ever seen. So part of the justification for that investment was a stronger price environment for stainless sheet and strip. But we will pull together what we can for the HRPF justification.

MR. DUNCAN: All right, thank you. Then the same question goes to NAS. I believe your testimony was that there are current investments underway that will come fully online in 2017 in relation to the subject merchandise. Can your company provide information on what you expected in the market when the decision was made to start these investments?

MR. LYONS: We'll look into that and offer as much information as we are permitted.

MR. DUNCAN: Thank you. My next questions are geared more towards counsel, and it has to do in relation with some of the arguments for this case. We have had testimony this morning from the domestic panel that in 2014, there was a spike in demand by U.S. customers in the market. This spike in demand from customers in the U.S. market may have caused a pulling effect for a supply of imports to satisfy some of that demand.

Whereas I believe your arguments as to injury relate to China's overcapacity and pushing merchandise into the U.S. market. So can you address in your post-conference this dichotomy between whether the market dynamics related to a pull in 2014 or a push from China?

MS. CANNON: We'll be happy to do that Mr. Duncan. I just say now that the domestic industry was able to supply demand. The lead times lengthened a bit. That was really the phenomenon that was going on in 2014, and as you heard all the witnesses testify, they managed their customer needs.

The reason for that spike in 2014 was the low prices that China was providing. That was why everybody was racing to buy the product. You also heard today everybody testify that by 2015, no such situation existed. Everybody was anxious to sell, eager to sell, no long lead times. And yet as you saw in our chart, the import volumes didn't go away. In fact, they continued to increase.

So you have to ask yourself why is that going on? That isn't a pull into the market. In fact, they so glutted the market that, and I'm sure you'll hear later today that OEFs were declining in the second half of the year.

The decline in the second half of the year, and we'll corroborate this from other independent sources that have been observing this market, the decline in the market in the second half of the year from China was simply a result of the fact that they had flooded the market so much the first half of the year that nobody was buying anything much by the second half of the year, and prices tanked.

The other critical phenomenon you have to look at is, you know, even if anybody needed some other supply, why were they buying it from China? If there was a real supply need and people were shorted, you should expect a premium price. You shouldn't expect a low price, right? If there's a supply shortage, you take advantage of that as a commercial company. That isn't what happened.

So you've got a real price incentive here that was driving that behavior and that continued into 2015, irrespective of any of the Outokumpu equipment failures or longer lead times.

MR. DUNCAN: All right, thank you. I look forward to --

MR. KERWIN: Could I add? This is Mike Kerwin from Georgetown Economic Services. We will definitely provide you the full information in the post-conference brief. But I would just note generally that output and the shipments of the domestic industry actually did increase in 2014, despite any short-term problems with capital equipment during that period or extensions of lead times.

The shipments of the industry actually went up fairly substantially in 2014 in relation to 2013. But we'll give you the full details in the brief.

MR. DUNCAN: A related question, also to deal with some of the legal arguments before us in this matter. Most -- if you look at an annual aggregation basis, most of the increase in subject imports occurred in 2013 to '14, and they continued on an aggregated annual basis into 2015 at a slightly higher level.

How does the trend then in imports and you may have to -- you likely have to address this fully in your post-conference brief, tie then with the aggregated financial performance of the industry which, to just characterize it generically, increased in profitability in the first part of the period, when that increase in subject imports most occurred, and then decreased from '14 to '15?

MS. CANNON: A lot of this is confidential. You're correct. We'll do it -- we'll discuss it more in the brief. But I would just say that, you know, when you are an industry and you are experiencing a flood of low-priced imports, you know, your initial reaction is to try to do what you can to keep your prices up and to keep the sales that you can.

So you're not always going to see a direct correlation between exactly what happens with the imports and the domestic industry immediately because there's various reactions.

MR. DUNCAN: A lag effect?

MS. CANNON: There can be lag effects, exactly. But overall, I would say that throughout this period, this industry's financial performance has been terrible. It's never been good. It's just gotten worse, much worse.

So even in 2014 when it was "better," it wasn't good and they were struggling both with trying to maintain market share, which they lost, and with trying to maintain any reasonable financial return, which they couldn't in any year of this period.

MR. DUNCAN: I think additionally, we would like any information that counsel can provide to help us understand sort of what we may be seeing in terms of variability in cost structure in the industry.

MS. CANNON: We'll address that in the post-hearing brief. Thank you.

MR. DUNCAN: And my final question relates, again, to another legal argument. It was raised that the EU applied preliminary, provisional I guess duties in March of 2015, and if we look at subject imports on a monthly basis, there was additional increases that occurred through April and June.

But again, most of the increases in terms of volume had occurred in months prior to the imposition of the provisional duties on the products coming from China into the EU. So how does that relate then to this diversion argument?

MS. CANNON: The answer to that is that the glut that I described earlier was so severe in the first half of the year, that even though I'm sure China would have loved to have sold more product here once they were foreclosed from the EU market, people weren't buying it by the second half of the year because they had flooded the market so much in the first half of the year.

I mean you saw our charts. You see that total imports for the year are huge. It wasn't as if they sold about half as much and then stopped selling. They sold so much at the beginning of the year that it didn't have to sell that much by the second half of the year.

We have complete concern that once any demand starts coming back and we're already seeing statements out there in, you know, the trade indicators, that China is looking back to this market as soon as demand picks up, because there is nowhere else for them to go.

MR. DUNCAN: If you could provide any of those indicators that you just referenced, because that will obviously support your threat arguments.

MS. KIM: This is Grace Kim of Kelley Drye. I also want to mention that in addition to the European Union, there were a number of countries that imposed anti-dumping duties in late 2013 that also contributed to the cause of, you know, increased imports from China. So Brazil, Taiwan and Thailand all imposed anti-dumping orders in late October, November and December of 2013, Vietnam in October 2014, and Indonesia, you know, it launched an investigation in December 2014. So those all contributed as well.

MR. VORMIZEELE: And may I supplement also here. Philip Vormizeele from Outokumpu. All the concern is that beside the fact that they have already flooded the market, that they will come back once demand picks up again, because the United States is one of the single markets in the world where there is still an expectation for growth in stainless steel consumption.

And while other areas which are major stainless steel consumers have, let's say, weaker estimates with regard to the economic development, meaningful example the European Union but also Asia, the United States is still a market which is objective for stainless steel.

Therefore, once demand picks up again, there's a huge concern from our side that the stainless steel imports from China will rise again, because we still do have the overcapacity situation in China. We do have the situation which was just described by Ms. Kim on the existing trade barriers in other markets, and a lot of the markets are just closing down.

So this market, with moderate growth, is still available for the Chinese imports, and that is our concern.

MR. DUNCAN: Thank you. That's all my questions.

MR. ANDERSON: Okay, thank you Mr. Duncan, and now we'll turn time over to Mr. Corkran.

MR. CORKRAN: Thank you very much, and again thank you very much for your testimony this morning. It's been very interesting, and I hope to fill in the gap for the 15 minutes that I missed. But one of the things I'm trying to do is to get my own sort of mental flow chart of the operations in Calvert now.

Unlike some of my Commission colleagues, I did not have the opportunity to go down and see it as it was beginning to ramp up. Can you run through for me again the way the product moves from melt to final cold rolling and finishing?

MR. LETNICH: Hi again. Steve Letnich with Outokumpu. So we have our melt shop. Then that product becomes a slab. That slab then goes our partner-neighbor, Arcelor Mittal and DuPont Steel, where they convert the slab into what's called hot band black.

That hot band black then comes back to the Outokumpu side of the shop, where we finish that through various annealing operations and cold rolling operations, including some finishing and slitting and cut to length, if so desired by the customer.

MR. CORKRAN: Okay, thank you. That in particular addressed one of my nagging questions, was at what point the annealing and pickling of the hot rolled product took place. But that takes place within the Outokumpu operations?

MR. LETNICH: Yes sir, that's correct.

MR. CORKRAN: Okay, excellent. Thank you very much. That's very helpful. I was also interested in -- there was a mention by Mr. Lyons of bright annealing in terms of some of the investment that was taking place. Can you give a little bit of -- just a little bit of a description of what bright annealing entails, and why that particular operation may be different than other forms of annealing?

MR. LYONS: So currently, we use a continuous anneal process in which the finish is a -- what would be considered a 2D or a 2B finish coming out of our coat annealing and pickling lines. What our new bright annealing furnace is going to do is it's going to offer an area that we anneal without oxygen, such that we preserve the surface and it generates a bright annealed surface, a reflective surface, a mirror finish type of surface, one that's different than any product category that we support currently.

So the interest is that it allows us to utilize melting capacity by adding a new product that we're not currently producing.

MR. CORKRAN: And in terms of the characteristics of bright annealing in parts, when you talked about the surface finish, is that -- is it principally appearance or there are other characteristics that are imparted by bright annealing?

MR. LYONS: Appearance. So the -- it would present itself in different applications. It was mentioned earlier automotive trim, appliance. There's various applications that covet that particular cosmetic appearance. Structurally, the material is very much the same.

MR. CORKRAN: Thank you very much. I've got another question that I'd like to address to the panel, but I'll probably ask that NAS take the lead on the response. Who do you see as the price leader in the U.S. market?

MR. LYONS: Well you know, regrettably I see China as the price leader. You know, we've made multiple attempts to try to control the direction of pricing in our market, meaning to establish a price level that permits us to make a fair margin.

But all of those attempts, especially within the years that were defined in this case, have become very difficult and we've repeatedly failed to manage those margin levels that we covet, namely because consistently competing against underselling of Chinese producers.

MR. CORKRAN: Do you get that sense from your customers, and one of the reasons why I kind of am drawing on this point a little bit is looking at our -- looking at the last time that we looked indepth at this product, there was pretty high degree of unanimity that NAS was viewed by purchasers as the price leader in the U.S. market. So that's why I'm kind of looking for additional detail.

MR. LYONS: Yeah. I can understand that, because we announce an increase. We don't announce a decrease. So there's periods of time when we attempt to influence our selling price through announcements raising the price, and over the course of this period, from 2013 to 2015, we've made a number of attempts.

And historically speaking, NAS is typically the first to speak. Not always, but that would lend itself to a service center viewing us as a leader from the perspective of the announcement itself. But regrettably, that doesn't hold true overall due to the fact that our market and their domestic producers have to chase the price that's being lead down by the Chinese, in order to either one, maintain share or two, forego share in order to try to preserve our margin level.

MS. CANNON: Kathy Cannon. Mr. Corkran, if I could just supplement that response. I've always been a bit frustrated by the way that the Commission's questionnaire is worded on price leadership, because it said who's the price leader either upward or downward, and often you get responses from purchasers, because they see very visible U.S. producer price announcements saying we're trying to do a price increase.

It could be NAS, it could ATI, a lot of people. But that may not, as Mr. Lyons very eloquently stated, translate into the actual effects in the market. Right now, when you see these price declines, it isn't us that's pulling things down.

MR. CORKRAN: Thank you. I very much appreciate the explanation on that. One of the things I wanted to do, just to put some of the testimony in historical context, I think I've heard several times today that the price levels were at the lowest in a decade.

Can anybody comment on what the -- how you would characterize the price of say nickel as of the end of last year in terms of prices over the last decade?

MR. HARTFORD: Terry Hartford, ATI. I'd be happy to. I think it's important to distinguish the total price of stainless versus the base price of stainless. The total price of stainless is still at the lowest price that we've seen in more than a decade. The base price of stainless sheet and strip is as low as I've ever seen it, and I've been in this business for 35 years.

So to your question on nickel, nickel prices today are as low as they have been since the early 2000's. So that would impact the surcharge portion of our total selling price. But it would be a mistake to suggest that the price of stainless steel is so low today simply because the price of nickel is down. That's a contributor.

But if you strip away the raw materials and look just at the base price, it's the lowest price I've ever seen. That base price, as I mentioned earlier and I think you were out of the room, that base price is our source of profitability.

MR. CORKRAN: Thank you. I very much appreciate the distinction and the elaboration on that. I was mainly reacting to what I thought was an all-in price that was being discussed. So thank you. I appreciate that.

I will certainly address this to the next panel as well, but one of the things I wondered as I was hearing a lot of testimony about the increase in capacity in China, I wondered if there were not other trends that were also taking place in China, if there were notable closures of production facilities in China?

I thought I read something about Baosteel closing one of their facilities in China. Have you seen any of this or are you seeing any impact of this? And by the way, it was for environmental reasons, or at least that was the cited reason.

MR. VORMIZEELE: Philipp Vormizeele from Outokumpu. I just come back from China. I was there on Tuesday, so to our understanding the Bao Steel is a relocation. It's not a closure and it's not a reduction of capacities. But Baosteel's relocating its stainless steel operations from an area close to Shanghai to a more distant for mainly environmental reasons. But it's certainly not a reduction in capacity.

So that is our understanding, and of course the Chinese stainless steel industry, as the Chinese -- the stainless steel industry as the Chinese common steel industry is under pressure.

But despite announcements we have seen in the past about reducing capacities, we have seen adding of capacities in the recent years, rather than any reduction, and the overcapacity you're seeing in China is so tremendous that you cannot just reduce it in one big step to get it healthy again.

So we've seen overcapacities which are tremendous. We are not seeing any significant reduction of capacity, especially in the stainless steel industry. So therefore we do not see any impact so far or any attempts so far that are at least serious enough that we could hope for a reduction of the overcapacity.

MS. KIM: This is Grace Kim of Kelley Drye. I just wanted to add that Baosteel Stainless that I think you're talking about, also produces carbon steel. So much of that capacity reduction was involved in carbon steel. They had announced that they were going to close about two million tons of carbon capacity.

MR. HARTFORD: If I may add to that answer, a couple of key points that Philipp made. Number one, today's -- China's productive capacity today far exceeds their domestic consumption, as my testimony indicated, number one. Number two, on the left hand you may read articles about reductions in certain capacity. But then on the right hand, announcements of additions, even though they have more capacity than they need to satisfy their own market.

A public release in December 2015 and excuse my pronunciation, Beihai Chengde Stainless Steel Company adding 600,000 tons of new stainless flat rolled capacity. That's more than ATI produces. Two other companies that have not been disclosed yet but we can put this in the post-hearing brief, an additional 300,000 tons by one company and another 750,000 tons of stainless flat roll capacity coming on stream in China, in a market that's already over-supplied.

So our view on that is that the net capability in China just continues to grow.

MR. VORMIZEELE: May I have one additional supplemental point. Philipp Vormizeele, Outokumpu again. I think what you have to also remember is that the stainless steel industry in China is not very old. At the end of the 90's, China was a 100 percent importing country of stainless steel.

So in the last 15 years, they brought up their capacity in stainless steel to an amount which most of us can't really imagine to be feasible to operate in an economic environment.

MR. HERRMANN: Well if I could, just one additional point. The references Mr. Hartford just made were to additions in cold rolling capacity. There also have been additions on the melting side as well for stainless, and we can provide you with some additional information on that in the post-conference brief.

MR. CORKRAN: Thank you. I very much appreciate all of those answers. I find it very helpful to get a broad sense of market developments. I have one last question, and that goes to the current operations of Outokumpu have been very well described. Were there any -- and you also described an agreement that was ongoing with Thyssenkrupp for one of your inputs.

But was there any -- were there any other ongoing supply arrangements that originated with Thyssenkrupp's ownership of the facility? I'm thinking back and remembering some of the challenges they faced in obtaining supply of product from outside the United States for some of their operations. Did that continue?

MR. VORMIZEELE: You may refer to one of the questions we answered earlier maybe on the remedy situation we had in the course of merger, when we continued to supply our Calvert mill from Italy which was, as we talked about earlier, I think you were out of the room back then.

No but essentially what we have in place is the toll rolling agreement for hot rolling black band, which we describe, which is now with AMNS, formerly Thyssen Group, and we have of course interface agreement at that site, because we share roads, we share transportation and logistical items which are waste water treatment. But nothing of that is really supply-related.

We obtain certain scrap from AMNS, but this is nothing else which -- I mean nothing with regard to the production of melting or cold rolling.

MR. CORKRAN: So the challenges that TK was facing with its Brazilian operations are not really relevant to this --

MR. VORMIZEELE: No. That's completely carbon steel. So we had never any connections to the Brazilian operations of ThyssenKrupp.

MR. CORKRAN: Thank you very much, and thank you to the entire panel. It's been very informative and I very much appreciate it. I have no further questions.

MR. ANDERSON: Thank you, Mr. Corkran. I'm going to look to my right first to see if we have any follow-up questions. Okay, Mr. Cassise.

MR. CASSISE: Two quick follow-ups. The 2014, you know, change of the order pattern, the surge in orders, was that surge in orders concentrated in a small number of end use markets, or did you see a surge in orders from all customers?

MR. LYONS: Chris Lyons, North American Stainless. The change was across the board. It impacted primarily I would pinpoint our service center customer base, which is the majority of who North American Stainless sells to. But the -- from the direct OEM sales it was minimal, more oriented towards the distribution channel.

MR. CASSISE: Okay. Is that true for all of the companies?

MR. HARTFORD: I would say we saw the growth across the board, both in distribution customers as well as end users.

MR. PFEIFFER: This is Geoff Pfeiffer with AK Steel. We saw it across all customers and products, and like I said before, when the market tends to move, it's a herd mentality. How or why or how it happens, I don't know. But they all move at once, and we saw it across the board.

MR. CASSISE: Okay, thank you. One other follow-up question regarding the rerollers. Mr. Hartford, you had described the rerolling operations as taking in an in-scope product and making an out of scope product. Is that true for all of the reroller production during our Period of Investigation? You may not know that off the top of your head, but is that just a portion or is it all of the rerolling production?

MR. HARTFORD: It is the vast majority of the rerolling production. It starts with a product that's in scope and finishes a product that's lighter than the scope of this case.

MR. CASSISE: Okay. Well then my next question would be to Ms. Cannon. Why would you advocate those rerollers in the domestic industry if they're producing a product that is not the subject product?

MS. CANNON: We would not advocate that. I only reiterated that we were not objecting to the position, the legal position that the Commission adopted in the last case, which was that a reroller, to the extent that it does produce a product within the scope of the case, was considered part of the case.

And so to the extent there's a minimal number of rerollers that are doing that, we have no objection to them being looked at by the Commission. But we don't think it will have much of any addition or impact on your database. I had mentioned that earlier.

MR. CASSISE: And with the evidence we have on the record, they may have no effect at all.

MS. CANNON: For most of them, that's correct. We believe they'll have no effect at all.

MR. CASSISE: Okay, thank you. I have no further questions.

MR. ANDERSON: Thank you, Mr. Cassise. Any further questions? Well, I wanted to just add one last question. I know I'm standing between you and a break and I want to appreciate, thank you and give our appreciation for your thorough answers and for the coverage that you represent here for your industry. It's very helpful for us.

Just a quick question about exports. I know the questionnaire data's confidential, but the public -- the official statistic suggests that there was -- U.S. exports had an improving trend over the POI, and given the testimony that we heard about some idling and slowing down of production and so forth in 2014 in particular, and then the argument that -- or the testimony that Chinese, the surge of Chinese imports in 2014 in particular impacted this idling and some of this production, how would you reconcile if there was an increasing trend in U.S. exports during that same period with those trends in Chinese imports and U.S. production idling?

MS. CANNON: Mr. Anderson, I think that most of that's going to be confidential to each of the companies. So we probably need for them to address strategically why they were doing what they were doing export-wise in a post-conference brief.

MR. ANDERSON: Thank you. I think that would be very helpful for the record. So with that, I wanted to again thank the panelists for being here today here at the Commission, and I think with that, we'll take -- let's take a 15 minute break and we'll reconvene at 12:10. Thank you.

(Whereupon, at 11:55 a.m., a recess was taken, to be reconvened the same day at 12:10 p.m.)

AFTERNOON SESSION

(12:11 p.m.)

MR. BISHOP: Will the room come to order?

MR. ANDERSON: Good afternoon, Mr. Neeley, please proceed when you're ready.

STATEMENT OF JEFFREY S. NEELEY

MR. NEELEY: I guess I'm ready.

Thank you, again. I am Jeff Neeley from Husch Blackwell, here on behalf of the Chinese Producers.

You know, what we've heard this morning was pretty much what we had expected to hear from the U.S. producers, sort of the typical story of the condition of the industry is deteriorating, and claiming that virtually everything is the fault of the Chinese.

I thank the Commission staff for asking a number of really good questions I think to get behind the rhetoric. We will try to contribute something to that discussion now with a very much an alternative story of what we think was going on.

We think it is supported by the facts. We will supply a number of those facts in our post-conference brief.

Some of the things of course that we need to say are covered by the APO, and so we are going to have to steer away from that, but there's a lot of information there that we're going to go into in the post-conference brief as well.

Just as a sort of preliminary matter, in making this--in having this discussion, I am going to accept the like-product definition that they have submitted, just for the sake of argument, not that we are necessarily agreeing with it, but I know from many years of experience in doing Commission work that it is very difficult for the Commission to delve into that in any great detail in a preliminary.

So we are not going to challenge that, but frankly we don't think we need to, given what we think is the weakness of this case.

I would like to start our story with Outokumpu, because I think it is an important part of the story. The history of the facility you've heard, to a large extent, this morning. The U.S. plant was built in Alabama by Thyssenkrupp. It has been a disaster since the beginning.

The plant was opened in 2010. By 2012, Thyssenkrupp had had enough. And after that very short period of time, it sold the mill to Outokumpu at the end of 2012, or the joint venture, I really should say, is probably more proper.

But during the entire three-year period here, the Period of Investigation, Outokumpu owned the mill. I can't really discuss the details of the operations here, but I can in general say--and I think it will be confirmed by their own information--that this is not a successful operation.

Among the problems in that plant were some that we heard about this morning, not in really the details that I would have liked to have heard, or probably not quite as candid as I would have liked to have heard, but we did hear that there were problems in 2014, which is pretty much undeniable since they were publicly discussed in the press in lots of different places.

The company itself has discussed how all three of its cold rolled Z lines were shut down in 2014. One of those lines was shut down for six months, which is an extraordinarily long period of time.

The result, not surprisingly, is that customer deliveries were delayed, and that the costs at the plant were affected as well.

We heard--and I'll be glad when I get the transcript, because we'll sort of go through it line by line, but we heard things like "delivery expectations were met." Which, you know, sort of meant I think that we told them they're not going to get the stuff for months and, yeah, you're not going to get it for months. That's what we expected.

The fact is, there were huge delays. I mean, let's be blunt about this. Let's not, you know, play word games. I mean there were huge delays as a result of this.

And those are all documented, and we will provide you with information on that in the post-conference brief.

`What happened, and one of the reasons that that is really important, is that yeah, maybe, maybe not, the lag times, or the lead times for the domestic mills were larger or smaller than getting the product from China, but most fundamentally not only in Outokumpu but in some of the other plants people who were buying this product realized that these were not reliable suppliers. Or at least for the time being they weren't reliable suppliers.

I mean, when they got back on line that's something else, but there was a huge credibility problem about delivery here. And that affects that, you know, when you turn the plant back on that doesn't change tomorrow. It doesn't change tomorrow for a couple of reasons.

First of all, you're not really sure that everything is okay if you are a purchaser. And secondly, the other thing that happens is that people have already ordered from China in anticipation of problems in those plants. And that to work its way through the system will take a matter of several months.

So it doesn't happen instantaneously. And I think you need to understand the timing situation with regard to what was going on, as well as the problems of the industry, of the domestic industry, and in supplying, which to some extent at least they've acknowledged.

What happened then in--it really got worse, because that was 2014, primarily where this was a big problem. And that alone of course in our view is almost the entire reason that you had an increase in Chinese imports. Because people were looking elsewhere for alternative supplies because they didn't know what was going on with the U.S. industry.

But keeping with just Outokumpu for a moment, the reaction of Outokumpu in 2015 then was what they called "fill- the-mill strategy." Okay? What's "fill-the-mill strategy"? In other words, again, you know, if you kind of get behind the rhetoric, what it means is they're going to slash prices in order to increase capacity utilization after they got the mill back up and running.

That's what they did. That's what they announced publicly. That's what's in all of the trade publications. There's nothing secret about that. This strategy was of course one that was reacted to by other U.S. producers, including NAS. I mean NAS is a much more efficient producer than Outokumpu. NAS has been the price leader, as was noted this morning, and they are not going to sit there and just let them go forward with these huge price reductions without doing something about it in 2015.

And, they reacted, as did the rest of the market, as you would expect. We heard this morning that price is everything. Price. Price. Price. Okay, well that applies to the domestic producers, too, folks.

I mean, it's not just the Chinese. If price is everything, then what Outokumpu did also affected the market. And so we should be serious about analyzing not just what Chinese prices are, but who is leading prices? And who is leading prices down? And what their market strategy was.

I mean, that might have been a brilliant market strategy by Outokumpu to drive those prices down and fill the mill, and maybe that helped their profitability; maybe it didn't. That's their choice. But, you know, they shouldn't be blaming the Chinese producers for what they themselves did.

The drop in the prices by Outokumpu and the reaction of the U.S. industry came at the same time, which was early 2015 when raw materials prices were also dropping, as we heard, and thus surcharges were declining consistent with the U.S. pricing policies.

So the surcharges, the reduction in the surcharges of course has a squeezing effect on the overall profitabilities of the companies. I mean, it's just math. I mean, if something is selling for $100 and you're charging a 20 percent premium on it, you're making more money than if it's $50 and you're charging a 20 percent premium on it. You know, it's pretty obvious.

So that was going on simultaneously with the pricing strategy of Outokumpu that was followed by others.

As we had heard--just give me one minute here; I want to take a look at something--as we have heard, you know, Allegheny, Midland plant was idled in August 2015, and fortunately we had a nice dialogue on that with them where they did admit that there was a lockout of workers, and that the idling kind of took place simultaneously with it.

I would urge the Commission to look at that carefully and the impact that that had on the market and availability of products. As they said, it was only settled within the last week or so. We think that had a major effect on the market, as well.

So how does China fit into this picture? I mean, how do we see the Chinese producers in this with the descriptions that I've said of what happened with both problems with capacity and pricing issues that the U.S. industry--I mean, effectively we had a price war among the U.S. producers.

So how does China fit into this? Well, China largely filled the gap in 2014 when demand was increasing for stainless steel sheet and strip. That increase from China continued to some extent into 2015, and that's largely because the lead time for Chinese imports, you know, is pretty substantial. And when you take a look at the time of the order to the time of the delivery.

So, you know, I can say all this, and we can put it in our brief, and I'm a person who doesn't generally like to read things from publications at lot at these hearings because I think it's kind of boring, but we do have something that I would like to read from because I think it's really important. And of course we'll submit this in our post-conference brief, and we'll submit some additional information as well, but this is from December 11th, 2015, American Metal Market, on page 3:

It says--and I'll just quote a few of the important parts, but the whole article is really worth reading, quote: "Some industry sources suggested the increase"--and this is talking about a price increase at that time--"some industry sources suggested the increase is unlikely to stick unless market leader NAS backs the move." End of quote.

I mean I think that is indicative of how people see NAS in the market. And they may think only it's upward, but we think that the market really sees NAS as a leader in both directions. And they look to NAS. I mean, it's a good mill. It's efficient, and there's, you know, there's a lot of reasons to look at them as a market leader.

The article also says, quote, "The sad fact of the global stainless market is that there's too much capacity, not just in China and Europe, but in the U.S." End of quote.

Yeah, we agree with that.

And then it goes on to what I just talked about. Quote: "Outokumpu's strategy has been to, 'fill the mill,' a move that has been criticized by its competitors for driving prices down, but which has made the company more competitive because of more efficient economies of scale at its plant in Calvert, Alabama, a move that London-based financial advisory firm Jeffries International highlighted in an analysis note earlier last week could be beneficial to the company but not so much to the industry." End of quote.

It then goes on a little bit to talk about Outokumpu further. "Outokumpu"--this is the quote--"has been a leader this year in a fill the mill strategy that has been a contributor to lower pricing. By taking all of this into account, if North American Stainless follows with their own price increase announcements then it is likely that some increase may take place, a Midwestern source said." End of quote.

Then it refers to something else on an affiliate of one of our clients, and it talks about a price increase by somebody. And they're speculating as to whether it will happen with NAS, but it refers to another company that had a price increase recently. And it says, quote:

"The increase could have been triggered by TESCO Trading USA, who noticed last week that it intended to increase prices, market sources indicated." And then it goes on to say, "It is unusual for an importer to lead a price increase, according to a source in the Northeast, but said it had no chance of sticking unless Ghent, Kentucky, based NAS makes a move." End of quote.

Then it gives a really good description of the market. It sure isn't the description of the market that we heard this morning, is it? There's a lot more, by the way, where this comes from, and we will be submitting that in our post-conference brief.

Now certainly I would say the Chinese producers reduced prices in 2015, as did everybody else in the market. But this was due to the price war among U.S. producers. And as I just noted, in the article I just read it was the Chinese company TESCO that led prices upward, and it was not the Chinese producers who led the prices downward.

Because of the actions of U.S. producers in 2015, and because their capacity has now been largely restored, the United States is not a terribly attractive market for Chinese producers at the moment. And they have greatly reduced their shipments in the latter part of 2015, as you can see from the data.

Our projections are that in 2016 shipments to the United States will be below the 2013 levels from China. There's a lot of other issues which I will go into in the post-conference brief about the lack of linkage between the condition of the U.S. industry and Chinese imports--timing issues, issues of--out of everything they can pull out of their financial information. I can't go into that now, but we will address that in more detail at the appropriate time.

There's no real indication, however, that the U.S. has ever been a very large market for China for this product. The fact is that China--the fact that China was here at all was due to the shortages in the United States, and those events are not likely to be repeated, at least from what we can tell.

Of course there is some overcapacity in China, but there's also severe overcapacity in the United States, without a doubt. It is that overcapacity right here in the U.S. of A. that has led to severe price cuts by some members of the domestic industry.

Undoubtedly the U.S. companies are aware of the drop in the imports from China. I think we heard some acknowledgment of that this morning. And we think that is exactly why the case was filed now. They needed to get this case in before the data became even more apparent that China had increased and was then declining as the capacity came back onstream in the United States. So this was kind of their last chance to get this case filed, and try to make a case for injury.

We think that this, in short, is just an incredibly weak case, one that should be dismissed at the outset. We know the Commission doesn't often do that, but I think the facts here, and the fact that the Commission has looked at this industry before, I think when you gather all the facts what the Commission will see is that this is worthy of being turned off at this early juncture.

And I don't have anything else to say at this point, but I will be glad to answer any questions that I possibly can. Thank you.

MR. ANDERSON: Thank you, Mr. Neeley, for your testimony and information, and we will now turn to the questioning.

We will start with the Investigator, Mr. Cassise.

MR. CASSISE: Good afternoon, Mr. Neeley. You represent a number of Chinese Producers. I wonder if you could estimate what share of total Chinese production say in 2015 is accounted for by your clients?

MR. NEELEY: Yeah. I would like--I would like to address that in the post-conference because it's something that I have not totally calculated at this point. I think we represent the overwhelming amount of Chinese exports to the United States in 2015, 2014.

MR. CASSISE: And that is a separate question.

MR. NEELEY: Yes, I know it's a different question, but--

MR. CASSISE: I will allow you to do that, as long as you promise to give me a real number and not an overwhelming phrase.

MR. NEELEY: Well, I--

MR. CASSISE: An estimate would be fine.

MR. NEELEY: Yeah, no, we'll give you--I can't give it to you right off the top of my head because I don't want to be wrong--

MR. CASSISE: Sure.

MR. NEELEY: --but, yeah, we'll give you a real number based on what we know.

MR. CASSISE: You had mentioned that--you had mentioned the like-product issue. It is my understanding that you, in the preliminary phase of this investigation, do not plan to make any domestic like-product issues. You agree at least at this preliminary phase with the Petitioners' stated like-product definition?

MR. NEELEY: Yeah, we'll accept it for argument's sake. I mean, the argument that I just made really doesn't depend on like-product.

MR. CASSISE: What is your position on the definition of the domestic industry, specifically this reroller issue? Do you have a position?

MR. NEELEY: You know, I think at this point we would accept what was said by the domestic industry on that, as well.

MR. CASSISE: Okay. You had mentioned a few things about how Outokumpu is a highly unsuccessful operation, and how they had this fill-the-mill strategy. Would you dispute any of the data that they have submitted in their questionnaire to the Commission?

MR. NEELEY: I think a lot of the data is very curious, but I can't really comment on it.

MR. CASSISE: Right. That would be a--well, let's say any questions would be welcomed in your post-conference brief.

MR. NEELEY: Oh, we intend to do that.

MR. CASSISE: And again, you also mentioned how the labor lockout at Allegheny was presented this morning as not particularly affecting capacity and production. Again, I would be interested in whether or not you would dispute any of the data presented in the questionnaires that were submitted to the Commission.

MR. NEELEY: Yeah, we will address that question directly. Thank you.

MR. CASSISE: With that, I have no further questions. Thank you. I look forward to reading your brief.

MR. ANDERSON: Thank you, Mr. Cassise. Mr. Allen?

MR. ALLEN: I believe my colleague, Mr. Cassise, has covered basically all the questions I was going to ask, so no further questions.

MR. ANDERSON: Thanks. Mr. Knipe?

MR. KNIPE: Thank you. Do Chinese producers, to your knowledge, follow a similar pricing structure, where there's a base price and an alloy surcharge?

MR. NEELEY: I'm not sure if they do or not. I would have to confer with the clients as to whether they just have a flat price based on what the market is bearing at a particular moment, or whether it's, you know, structured like the U.S. I believe, I believe it's just a flat price, you know, based on whatever the market conditions are. But I would want to double check with them to make sure that I'm not misspeaking on that.

MR. KNIPE: Okay. If it's helpful, I found a Metal Miner article on December 17th that talks about an increase from TSCO on what they call a base price. So I don't know what that means.

MR. NEELEY: Okay. I'll check with them.

MR. KNIPE: Okay. And then, I don't want to take away Mr. Taylor's question, but there are references to an unfortunately named raw material, nickel pig iron, which appears to be uniquely a Chinese product.

MR. NEELEY: Right.

MR. KNIPE: Do you know what's happened to the price of this raw material over the course of the Period of Investigation?

MR. NEELEY: I don't, off the top of my head, but I will be glad to check that. I know that that's a raw material that is uniquely Chinese. I've heard that. What I don't know is the details of what pricings look like.

MR. KNIPE: Okay. And if you happen to come across any helpful sources about where to find price data for that, that would be helpful.

MR. NEELEY: Okay. I understand.

MR. KNIPE: So there are a number of trade press articles about a decrease in demand in China largely due to a housing bubble, or a construction bubble. How would you characterize the demand situation in China and what's happened to consumption levels of this product over the Poi?

Mr. Neeley: Yeah, I think that's something I would want to confer with my clients on to give you some of the better data that we have in terms of what is going on in China in terms of demand for this product.

I mean the one thing I would say is that it's--

while I know this is something the Commission needs to look at as part of its analysis according to the statute, I would say that under the facts of this particular case if you accept what I said are the reasons for the Chinese products coming into this country, whatever is going on with demand, you know, in China, didn't have a whole lot to do with it. What it had to do with was, as somebody said this morning, it was pulled. I mean, it was because of particular specific problems in the U.S. during 2014.

But I take your point, and we will take a look at that.

MR. KNIPE: Okay, what about supply issues in China? Let's talk about overcapacity. Do you agree with that characterization?

MR. NEELEY: I think there's overcapacity every place in the world, yeah.

MR. KNIPE: Have there been new plants constructed recently? Or is it mostly expansions on existing plants?

MR. NEELEY: I'll check on the exact details of what has happened in the last few years in China, yes, I'll take a look at that.

MR. KNIPE: And I guess I just want to get your impression about the third market trade barriers. What are the other large markets for Chinese product, if we're seeing an increasing number of--

MR. NEELEY: Yes, my understanding is that the larger markets are mostly in Asia for the Chinese product. But again I need to circle back with them and get the complete details of that, which we intend to address in our post-conference brief. But Asia, for this product, and I think a lot of other products, is their primary place where they would be selling, in addition to their home market, obviously.

MR. KNIPE: Okay. Thank you for your testimony.

MR. ANDERSON: Ms. Brinckhaus.

MS. BRINCKHAUS: Good afternoon, Mr. Neeley and Ms. Morgan. I just have one quick question. It's the same question I asked the panel this morning regarding the arguments that were made in the previous investigation about whether the metal margin, or gross margin is the better measure for setting the price cost behavior.

I don't know if you want to address it now or--

MR. NEELEY: Yeah, I probably better defer on that one because I understand your point. I don't know how my clients would see that analysis.

MS. BRINCKHAUS: Okay. I appreciate it. Thank you, very much.

MR. NEELEY: Thank you.

MR. ANDERSON: Okay, Ms. Taylor?

MS. TAYLOR: Good afternoon. Karen Taylor, Office of Industries. I just have a couple of questions. It's a pity your clients couldn't be here, because I suspect you may not have the information at hand, but I will ask the question.

I have seen some notifications in the press that there are several stainless operations at least being considered to be built, if construction has not begun, and unfortunately I can't really pronounce these names, but if I could send you a list?

MR. NEELEY: That would be good.

MS. TAYLOR: And let me know what the status is of these operations, it would be much appreciated.

MR. NEELEY: Yeah, we'd be very glad to do that. Specific names really do help to get to the bottom of that sort of thing. Thank you.

MS. TAYLOR: I am interested in the differences and similarities, in the manufacturing process in China and the United States. For example, this whole nickel pig iron as an input is something we just don't use here, to my knowledge.

MR. NEELEY: Right.

MS. TAYLOR: So could you, and I presume you would have to discuss with your clients, give me a better picture of the manufacturing process in China? That would be helpful.

MR. NEELEY: And you're looking for the differences or similarities between the U.S. and China?

MS. TAYLOR: Correct.

MR. NEELEY: Sure.

MS. TAYLOR: All right. Thank you very much.

MR. ANDERSON: Thank you, Ms. Taylor. And, Mr. Duncan.

MR. DUNCAN: Yes. Good afternoon.

My first question again is something I think you had already indicated you will be addressing a little bit in your post-conference brief, but to the degree to which you can sort of look at the numbers and document what you see to be the causation pattern over the period, if you could do that?

MR. NEELEY: Yes.

MR. DUNCAN: Also, you indicated that, based on this fill-the-mill strategy by Outokumpu that, you know, U.S. capacity, push-to-fill capacity is leading prices. I ask that you also look at the record evidence that has been gathered in this proceeding and see if you can see that pattern in the data that has been gathered, and highlight that in your post-conference brief?

MR. NEELEY: Will do.

MR. DUNCAN: The morning panel discussed, and you've claimed in your testimony and in response to a couple of my colleagues' questions, that excess capacity exists everywhere so it's not really an issue. But, that China has excess capacity. But the morning panel indicated that what they see to be excess capacity in China is two times the total market in the United States.

So is there not a difference in magnitude of the capacity overhang between China and the United States?

MR. NEELEY: Well, the demand in China is also very significant. So I would have to look at that. I mean I think that the relevant point is not just looking at capacity overhang in both countries, but to look at what the likelihood, which is the ultimate question that the Commission needs to look at, of that excess capacity, whatever it is, of coming to the United States.

MR. DUNCAN: Okay--

MR. NEELEY: And, you know, obviously that's ultimately what you're driving at. And if we look at it that way, you see the Chinese coming into this market and then beginning to exit this market toward the end of the Period. And you see a very substantial lag time between placing an order with the Chinese mill and receiving the product.

That is a particularly important issue I think in stainless where you've got fluctuations in price that are significant. I mean, obviously you could buy a Chinese product at a higher price, and then you see the prices in the U.S. market dropping by the time you get the product and you don't have such a good deal anymore.

So there are inherent risks in addition to the obvious risks that you have with buying a foreign product and just having to wait for a while.

So absent conditions such as those that occurred in 2014, purchasing Chinese product is not incredibly attractive for I think a lot of purchasers in the United States.

MR. DUNCAN: Okay, along that same line, since you're going to explore that more fully in your post-conference submission, can you also respond to some of the indications that the domestic panel made that yes, imports in 2015 or the end of the period declined. I think no one is contesting that.

But it was stated as quickly as they had entered previously, they can re-enter. So discuss that in your post-hearing.

MR. NEELEY: Yeah, yeah. We'll discuss and, you know, it's a valid question. But you know, what I would say is that if the reason that they entered in the first place in 2014 were these extraordinary conditions that occurred in the U.S. market, which what we think the record will show, absent something extraordinary happening again, it's unlikely.

MR. DUNCAN: Like you were saying, going to be pulled again into the U.S. market?

MR. NEELEY: Yeah. I mean they could be pulled again. I mean if there's a lot of shutdowns, I suppose that's possible. That's kind of speculative, to put it mildly.

MR. DUNCAN: And then finally also address, to the degree that you feel you want to, these arguments of diversion related to the third country orders in place against China, and if that's going to have an impact on what may likely, for purposes of a threat analysis, enter the United States market?

MR. NEELEY: Be glad to link up that sort of timing and do an analysis of that.

MR. DUNCAN: That is all my questions.

MR. ANDERSON: Thank you, Mr. Duncan, and we'll turn to Mr. Corkran now.

MR. CORKRAN: Thank you very much, and thank you very much for your testimony and presentation this afternoon. I think my colleagues have covered most of my questions. I did want to take a little bit of a closer look at a company that you spotlighted in your presentation.

You were talking about TISCO Trading, and it's priced or a reported price strategy in the U.S. market. Can you give us a sense of what role TISCO Trading plays in the U.S. market, what its relative presence is in the U.S. market?

MR. NEELEY: I'd have to get the market share and take a look at that. I don't have that off the top of my head, but I couldn't reveal it if I did. They are one of the larger Chinese producers selling into the U.S. market absolutely for sure and so they're, along with Baosteel, the two most significant Chinese producers in the U.S. market.

MR. CORKRAN: And in your description of their participation in the U.S. market and the notation that they were seeking to raise prices, does that provide any indication about relative prices? I mean would we expect to see TISCO's prices being higher than U.S. producer prices?

MR. NEELEY: I suppose, you know, like a lot of things. It depends on exactly what point in time you're looking at, you know. It's probably the same with U.S. producers. At any particular point in time it could be higher, it could be lower.

I think the issue is mostly that TISCO and the U.S. producers, many of the U.S. producers were being led down by, you know, effects of the fill the mill strategy and things of that sort. So I mean that's sort of our, I think, our main point on that. I don't know if that answers your question.

MR. CORKRAN: To a degree. I just wanted to make sure how to evaluate data that we might be able to -- we might see in terms of pricing.

MR. NEELEY: Right.

MR. CORKRAN: What was your impression of testimony this morning from NAS, when they described their role in the market and the perception of their company as a price leader, being one in which they tended to give market signals that were primarily focused on upward price movements rather than lower price movements?

MR. NEELEY: Well, I think with the publications that I've seen said and say and what my clients have told me, price leadership goes both ways. I mean they'd like to think it only goes upward, but I find that a little bit, you know. We don't think it's credible, let's put it that way, and I don't think they've really cited anything other than their own testimony as to why we should think that's correct.

I mean what we see in the publications is a lot of talk about NAS and price leadership, and to my mind and my understanding, price leadership means both ways.

MR. CORKRAN: Okay. I think with that, that concludes my questions. I appreciate your testimony this afternoon. Thank you very much.

MR. NEELEY: Thank you.

MR. ANDERSON: Thank you, Mr. Corkran. I'll just visually scan the panel. Any follow-up questions? And my colleagues have very ably answered (sic) most of the questions I had, and Mr. Neeley, I just want to follow up on one line of testimony. I realize you're going to provide quite a bit of information and detail in the post-conference brief.

But two things. About this argument, I think your words were "fill the gap," that Chinese imports are filling the gap of what the U.S. producers couldn't supply during the POI. What is the lead time for Chinese imports into the U.S. market, both on a spot price basis and a contract basis?

MR. NEELEY: You know, I will get the exact -- the best estimate that I can, but it's a matter of months. My understanding is it's somewhere around four to five months oftentimes. Could be slightly less. I'd have to check, but I mean we're not talking about weeks. I mean we're talking about months from the time -- I'm talking about from the time of the order until the time it's produced, put on the ship and come to the United States.

MR. ANDERSON: Okay. Would you say that's kind of in the range of where the U.S. producers' lead times are, whether they're struggling with technical issues in the plant? I think I heard three to four months and then sometimes it extended six months. But I'm hearing you say three to five months.

MR. NEELEY: Right, right. My understanding is that the lead times were similar at the time that they had the problems. But I think you can -- my understanding is from talking to my clients and my understanding is that it's not just a matter of the lead times, comparing one lead time to the other.

It's also a question, from a customer's point of view, of reliability of supply and they talk in the U.S. industry about building inventories and things of that sort. Yeah, that did happen we think, and it happened because people were scared of what was going to happen and whether the product was going to be available, whether, you know, it's going to get worse, whether it really was going to come back on stream when people said it was going to come back on stream, that sort of thing.

So simply saying oh, well that one's, you know, four and a months from China and it's four months from the U.S., so why would they buy Chinese? Well, you buy Chinese because they know it's going to show up, you know. It may be four and a half months, but there was a lot of uncertainty during that period, and uncertainty leads to customers, you know, looking elsewhere. We think that's what happened.

MR. ANDERSON: Okay. I appreciate that context. That's very helpful, and that leads to my final question, which is given the emphasis that you placed on some of the technical production difficulties, particularly for one company and the Commission has to look at the industry as a whole, and given the Exhibit 6 provided by the Petitioners regarding the level of imports particularly between 2013 and 2014, we see over 100 percent increase and then the absolute volume is on par in 2015.

Given that level of uncertainty, could you address either now or in your post-hearing brief kind of trying to match those up? If we have Outokumpu with a couple of lines down for six months, what kind of volume are we talking about that wasn't in the marketplace that could have been in the marketplace if they didn't have those problems, and what kind of volume could have been in the marketplace from the U.S. producers if say they didn't have their labor disputes relative to the total volume and official statistics of imports from China?

MR. NEELEY: Right. I'm going to take a look. Yeah, as you noted, it's not only Outokumpu that was the issue in terms of problems in production and things of that sort. But we'll do an analysis of what happened. I mean at the same time that that was happening, by the way, there was an increase in demand in the U.S. market.

So it was supply decreased in the U.S. effectively because of all the problems we've been talking about. But at the same time, there was an increase in demand. So it was the worst of all possible worlds for you if you were a purchaser of the product. So that's why they started to look elsewhere.

MR. ANDERSON: Okay. Well thank you for that explanation. Anything you want to add in the post-hearing brief would be welcomed. With that, I thank you. I thank you for your presentation and being here today and for answering our questions. And now we'll take a quick change to go to closing arguments.

MR. NEELEY: Thank you.

(Pause.)

CLOSING REMARKS OF KATHLEEN CANNON

MS. CANNON: Thank you, Mr. Anderson. For the record, I'm Kathy Cannon from Kelley Drye. Just a few points on rebuttal. I think I heard an inconsistency in the testimony of Mr. Neeley, where at one point he referred to a severe overcapacity of U.S. producers, and then at the same time referred to a supply shortage in the United States.

So I'm not sure which argument they're presenting, but really neither are accurate. There's not any severe overcapacity in the United States. The U.S. producers have built to supply this market and would like to supply this market, and are fully capable of doing so but for the imports. As you can see in the database, a lot of that capacity is sitting idle.

As to the supply shortage, as we have testified in detail, that was for a very temporary period that Outokumpu experienced. The other producers were not denying their customers product. They were simply experiencing longer lead times, and when asked just now about the lead times, generally speaking the lead times is an advantage for the U.S. producers.

In this one short period of several months, the U.S. lead times did lengthen, as customers were trying to buy additional product. But as Mr. Neeley just admitted, they were similar to the Chinese product. So why are you going to China? For price. There's no other reason to go there. The explanation that somehow they're a more reliable supplier. Really?

I mean you have U.S. producers here with long-standing relationships, good quality, good service. You're not going to China because you need a reliable source. You're going for reasons of price.

Let me just turn to price for a minute and correct a couple of statements, to make sure that our position and the facts are accurate. I believe I understood Mr. Neeley to talk about alloy surcharge squeeze that has an impact on the profitability of the producers. But as we said, those alloys are really a wash, and the problem is going on with the competition on the base prices.

I also heard a statement that the surcharge, something about a surcharge being a percent adder. The surcharge is not a percent adder to the price. It's a dollar per pound and it doesn't change if the base price falls, okay. So that's sort of an independent variable.

You heard some testimony about TISCO, TISCO announcing a price increase as evidence that somehow China is leading prices up. But look at this real carefully. When did this happen? In very late 2015, and what did the source that Mr. Neeley read to you say? It was very unusual.

You don't see this out of China, and why did it happen? Because there's plenty of press out there about this trade case coming, and everybody was talking about it and they were worried. We can document that for you in our brief. If they had actually been doing these price increases all along throughout the Period of Investigation, we wouldn't be here today.

There was testimony that the domestic producers have been somehow leading prices down. But China's prices have always been below U.S. prices. The imports are increasing at the rate they are because they are the price leaders in this very price sensitive product. I think they blamed a lot of this on Outokumpu, as somehow being the price leader and cutting prices, slashing prices to build market share.

We'll address that further in our brief, but there is no foundation to that argument. Look, I would encourage you to look in particular at the lost sales and lost revenue responses of purchasers, where you ask them did you shift to China, yes or no, and was China lower-priced than the U.S., yes or no? You will see a lot of yeses.

The other factor really is, you know, you can talk a lot and debate who's pricing at what level. But as I believe Mr. Neeley conceded, this is a price sensitive market. When you have a price sensitive market, your market share table speaks volumes over who is the leader, because that is the company that's gaining market share or companies.

I want to defend my friends at Outokumpu against some testimony about what a disaster their company is. It's not a disaster. The mill is a state-of-the-art facility. They purchase the mill with a clear growth perspective in mind, and as you see in the data, that was borne out. This market is a strong market. It's been doing well in terms of demand. It isn't declining.

So they weren't mistaken about that and they don't have terrible facilities. If you've ever been down there, they're very good. They're wonderful facilities. The problem is that they are getting jeopardized in that investment by the aggressive pricing by China, that's undercutting their operations.

And this behavior started before there was any issue with their temporary shutdown with that facility in terms of one the product lines and not all of the product lines, which they kind of make it sound like it's a much broader problem than it was.

In terms of China, there was a little bit of a discussion about China really looking to other Asian markets, that it's going to be focused on with the supply. So we're going to put into our post-hearing brief a little bit more specifics. But just look at a few of the Asian markets that are out there for China, most of which are already being served by their local suppliers but almost all of which have barriers to China.

India has a 57 percent margin against China; Taiwan, 20 to 38 percent; Thailand, 8 to 33 percent; Vietnam has margins; and Indonesia has an ongoing investigation. So where are they going to go? They're not going to any of these local Asian markets right now. They really don't have any other alternative except the United States.

So these claims that we were only here to fill this quick need and now we're gone don't make sense. When you have the larger over-supply and over-capacity that China has, and you have a big market that looks relatively attractive with demand growing, why would you leave?

The only reason you leave is because you've glutted that market so much with your product that there wasn't demand, and now you're worried about a trade case, which obviously was borne out by the filing.

Let me just conclude by saying I do agree with one thing that Mr. Neeley said. He started off by saying that this is the same old story. That's true. It's kind of sad. We come here a lot because we see these same problems with China.

We see huge over-capacity, we see huge idle capacity, we see them looking for a market and being blocked out of other markets all around the world because other markets have been bombarded by their product, and then we see decimation of a U.S. industry.

So yes, he's right. It is the same old story and it requires the same relief, and we urge you to grant that to the industry. Thank you very much.

MR. ANDERSON: Thank you, Ms. Cannon.

CLOSING REMARKS JEFFREY NEELEY

MR. NEELEY: Okay, I'll be brief in my remarks. First, the notion that there is some kind of discrepancy between arguing about the over-capacity in the United States and a shortage, I don't follow it. Sorry. I mean we're talking about apples and oranges. I mean there is an over-capacity. Let's look at what the U.S. industry has reported to the Commission, all right?

The shortage is the shortage. I mean the shortage is because plants went down. There were problems in production. The two don't really have anything to do with each other, and there's really no inconsistency between what we're saying there whatsoever.

You know, we hear about a short period of time and longer lead times. You know, it was a large part of 2014. Lead times were extraordinary. People didn't know what was going to happen, and I think the customers, the trade press and other places will confirm what we've said about that.

Why go to China? Of course, the U.S. industry's explanation is price, which is not surprising. I would suggest another explanation. It's called availability, all right. I mean they went to China because yeah, there was available product there and people needed it and they were concerned, and that's why they went there.

We will discuss some of the issues with regard to pricing and how the surcharges work. I think it's probably better to be discussed in more detail in our brief.

Yeah, I mean in some ways, I mean you can say what TISCO's upward pricing proposal was unusual, I mean because -- and I think what it means is simply this, is that there's a lot of rhetoric always about how China, you know, drives things down, drives things down.

Here's somebody trying to get the prices up, and you know, we hear they get no credit for that. Certainly, if they had gone down, we'd be hearing a lot about it. Apparently China is just the opposite of NAS. NAS only drives prices up. China only drives prices down, you know. It's -- I would suggest that if you're going to be a price leader, you do it in both directions and it's not credible. It's just not credible to argue otherwise.

As to what we said about Outokumpu, you know, they're doing well I guess according to the U.S. industry, or at least according to what their conclusory remarks are. I suggest you just take a look at their financials and see what you think.

In terms of the same old story yeah, it is. It's what we expected. It's not the same old story from our side. I mean I think there's some unique facts that we've presented in this case. We will present additional facts, additional information in the post-conference brief.

It is not the same old story from the Chinese side. I mean there's some very -- there are unique facts here that we hope the Commission will take into account, so and we obviously hope that they will -- the Commission will find in the negative in this case. So thank you very much for your time.

MR. ANDERSON: Thank you, Mr. Neeley. So on behalf of the Commission and the staff, I would like to thank all the witnesses and the counsel who came here today to be with us today, and for helping us gain a better understanding of the market conditions in the stainless sheet and strip industry.

Before concluding, I'd like to mention a few key dates in the investigation. The deadline for submission of corrections to the transcript and post-conference briefs is Wednesday, March 9th. If briefs contain business proprietary information, the public version is due on Thursday, March 10th.

The Commission has tentatively scheduled the vote on these investigations for Friday, March 25th and we will report our determination to the Secretary of Commerce on Monday, March 28th. The Commissioner's opinions will be issued on Monday, April 4th.

With that, again I thank you all for coming, and this conference is adjourned.

(Whereupon, at 1:06 p.m, the conference was adjourned.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Stainless Steel Sheet and Strip from China

INVESTIGATION NOS.: 701-TA-557 and 731-TA-1312

HEARING DATE: 3-4-2016

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3-4-2016

SIGNED: Mark Jagan

Signature of the Contractor or the
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